

1-1 By: Huffman S.B. No. 2190
 1-2 (In the Senate - Filed March 10, 2017; March 13, 2017, read
 1-3 first time and referred to Committee on State Affairs;
 1-4 March 27, 2017, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 7, Nays 1, 1 present not
 1-6 voting; March 27, 2017, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8 Huffman	X			
1-9 Hughes	X			
1-10 Birdwell	X			
1-11 Creighton		X		
1-12 Estes	X			
1-13 Lucio				X
1-14 Nelson	X			
1-15 Schwertner	X			
1-16 Zaffirini	X			

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 2190 By: Huffman

1-19 A BILL TO BE ENTITLED
 1-20 AN ACT

1-21 relating to the public retirement systems of certain
 1-22 municipalities.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

1-25 SECTION 1.01. Section 1, Article 6243e.2(1), Revised
 1-26 Statutes, is amended by amending Subdivisions (1-a), (1-b), (3),
 1-27 (13-a), (15-a), (15-b), and (16) and adding Subdivisions (1-c),
 1-28 (1-d), (1-e), (1-f), (1-g), (3-a), (3-b), (3-c), (10-a), (10-b),
 1-29 (11-a), (12-a), (12-b), (12-c), (12-d), (12-e), (12-f), (12-g),
 1-30 (13-b), (13-c), (13-d), (13-e), (15-c), (15-d), (15-e), (15-f),
 1-31 (15-g), (16-a), (16-b), (16-c), (16-d), and (16-e) to read as
 1-32 follows:

1-33 (1-a) "Actuarial data" includes:

1-34 (A) the census data, assumption tables,
 1-35 disclosure of methods, and financial information that are routinely
 1-36 used by the fund actuary to prepare an actuarial valuation or an
 1-37 actuarial experience study under Section 13D of this article; and

1-38 (B) any other data that is reasonably necessary
 1-39 to prepare a risk sharing valuation study under Section 13B or 13C
 1-40 of this article. ["Average monthly salary" means one thirty-sixth
 1-41 of the member's salary as a firefighter for the member's highest 78
 1-42 biweekly pay periods during the member's participation in the fund
 1-43 or, if the member has participated in the fund for less than three
 1-44 years, the total salary paid to the member for the periods the
 1-45 member participated in the fund divided by the number of months the
 1-46 member has participated in the fund. If a member is not paid on the
 1-47 basis of biweekly pay periods, "average monthly salary" is
 1-48 determined on the basis of the number of pay periods under the
 1-49 payroll practices of the municipality sponsoring the fund that most
 1-50 closely correspond to 78 biweekly pay periods.]

1-51 (1-b) "Actuarial experience study" has the meaning
 1-52 assigned by Section 802.1014, Government Code ["Beneficiary adult
 1-53 child" means a child of a member by birth or adoption who:

1-54 [(A) is not an eligible child; and

1-55 [(B) is designated a beneficiary of a member's
 1-56 DROP account by valid designation under Section 5(j-1)].

1-57 (1-c) "Amortization period" means the time period
 1-58 necessary to fully pay a liability layer.

1-59 (1-d) "Amortization rate" means the sum of the
 1-60 scheduled amortization payments for a given fiscal year for the

2-1 current liability layers divided by the projected pensionable
 2-2 payroll for that fiscal year.
 2-3 (1-e) "Assumed rate of return" means the assumed
 2-4 market rate of return on fund assets.
 2-5 (1-f) "Average monthly salary" means, if the member
 2-6 has participated in the fund for:
 2-7 (A) three or more years, the total salary
 2-8 received by a member as a firefighter over the member's last 78
 2-9 biweekly pay periods ending before the earlier of the date:
 2-10 (i) the member terminates employment with
 2-11 the fire department, divided by 36; or
 2-12 (ii) the member began participation in the
 2-13 DROP, divided by 36; or
 2-14 (B) fewer than three years, the total salary paid
 2-15 to the member for the periods the member participated in the fund
 2-16 divided by the number of months the member has participated in the
 2-17 fund.
 2-18 If a member is not paid on the basis of biweekly pay periods,
 2-19 "average monthly salary" is determined on the basis of the number of
 2-20 pay periods under the payroll practices of the municipality
 2-21 sponsoring the fund that most closely correspond to 78 biweekly pay
 2-22 periods.
 2-23 (1-g) "Beneficiary adult child" means a child of a
 2-24 member by birth or adoption who:
 2-25 (A) is not an eligible child; and
 2-26 (B) is designated a beneficiary of a member's
 2-27 DROP account by valid designation under Section 5(j-1).
 2-28 (3) "Code" means the federal Internal Revenue Code of
 2-29 1986, as amended.
 2-30 (3-a) "Corridor" means the range of municipal
 2-31 contribution rates that are:
 2-32 (A) equal to or greater than the minimum
 2-33 contribution rate; and
 2-34 (B) equal to or less than the maximum
 2-35 contribution rate.
 2-36 (3-b) "Corridor margin" means five percentage points.
 2-37 (3-c) "Corridor midpoint" means the projected
 2-38 municipal contribution rate specified in the initial risk sharing
 2-39 valuation study under Section 13C of this article, and as may be
 2-40 adjusted under Section 13E or 13F of this article, and in each case
 2-41 rounded to the nearest hundredths decimal place.
 2-42 (10-a) "Employer normal cost rate" means the normal
 2-43 cost rate minus the member contribution rate.
 2-44 (10-b) "Estimated municipal contribution rate" means
 2-45 the municipal contribution rate determined in a risk sharing
 2-46 valuation study under Section 13B or 13C of this article in
 2-47 accordance with Section 13B(a)(3) of this article.
 2-48 (11-a) "Fiscal year," except as provided by Section 1B
 2-49 of this article, means a fiscal year beginning on July 1 and ending
 2-50 on June 30.
 2-51 (12-a) "Funded ratio" means the ratio of the fund's
 2-52 actuarial value of assets divided by the fund's actuarial accrued
 2-53 liability.
 2-54 (12-b) "Legacy liability" means the unfunded
 2-55 actuarial accrued liability:
 2-56 (A) for the fiscal year ending June 30, 2016,
 2-57 reduced to reflect:
 2-58 (i) changes to benefits or contributions
 2-59 under this article; and
 2-60 (ii) payments by the municipality and
 2-61 earnings at the assumed rate of return allocated to the legacy
 2-62 liability for the period between July 1, 2016, and June 30, 2017;
 2-63 and
 2-64 (B) for each subsequent fiscal year:
 2-65 (i) reduced by the contributions for that
 2-66 year allocated to the amortization of the legacy liability; and
 2-67 (ii) adjusted by the assumed rate of
 2-68 return.
 2-69 (12-c) "Level percent of payroll method" means the

3-1 amortization method that defines the amount of the liability layer
3-2 recognized each fiscal year as a level percent of pensionable
3-3 payroll until the amount of the liability layer remaining is
3-4 reduced to zero.

3-5 (12-d) "Liability gain layer" means a liability layer
3-6 that decreases the unfunded actuarial accrued liability.

3-7 (12-e) "Liability layer" means the unanticipated
3-8 change as established in each risk sharing valuation study prepared
3-9 under Section 13B or 13C of this article, as applicable.

3-10 (12-f) "Liability loss layer" means a liability layer
3-11 that increases the unfunded actuarial accrued liability. For
3-12 purposes of this article, the legacy liability is a liability loss
3-13 layer.

3-14 (12-g) "Maximum contribution rate" means the rate
3-15 equal to the corridor midpoint plus the corridor margin.

3-16 (13-a) "Minimum contribution rate" means the rate
3-17 equal to the corridor midpoint minus the corridor margin ["Normal
3-18 retirement age" means the earlier of:

3-19 [~~(A) the age at which the member attains 20 years~~
3-20 ~~of service; or~~

3-21 [~~(B) the age at which the member first attains~~
3-22 ~~the age of at least 50 years and at least 10 years of service].~~

3-23 (13-b) "Municipality" means a municipality in this
3-24 state having a population of more than 2 million.

3-25 (13-c) "Municipal contribution rate" means, for a
3-26 fiscal year, the rate at which a municipality makes contributions
3-27 to the fund under Section 13A(a) of this article.

3-28 (13-d) "Normal cost rate" means the salary weighted
3-29 average of the individual normal cost rates determined for the
3-30 current active population plus an allowance for projected
3-31 administrative expenses. The allowance for projected
3-32 administrative expenses equals the administrative expenses divided
3-33 by the pensionable payroll for the previous fiscal year, provided
3-34 the administrative allowance may not exceed 1.25 percent of the
3-35 pensionable payroll for the current fiscal year unless agreed to by
3-36 the municipality.

3-37 (13-e) "Normal retirement age" means:

3-38 (A) for a member, including a member who was
3-39 hired before the year 2017 effective date and who involuntarily
3-40 separated from service but has been retroactively reinstated in
3-41 accordance with an arbitration, civil service, or court ruling,
3-42 hired before the year 2017 effective date, the earlier of:

3-43 (i) the age at which the member attains 20
3-44 years of service; or

3-45 (ii) the age at which the member first
3-46 attains the age of at least 50 years and at least 10 years of
3-47 service; or

3-48 (B) except as provided by Paragraph (A) of this
3-49 subdivision, for a member hired or rehired on or after the year 2017
3-50 effective date, the age at which the sum of the member's age, in
3-51 years, and the member's years of participation in the fund equals at
3-52 least 70.

3-53 (15-a) "Payoff year" means the year a liability layer
3-54 is fully amortized under the amortization period. A payoff year may
3-55 not be extended or accelerated for a period that is less than one
3-56 month. ["PROP" means the post-retirement option plan under Section
3-57 5A of this article.]

3-58 (15-b) "Pension obligation bond" means a bond issued
3-59 in accordance with Chapter 107, Local Government Code ["PROP
3-60 account" means the notional account established to reflect the
3-61 credits and contributions of a member or surviving spouse who has
3-62 made a PROP election in accordance with Section 5A of this article].

3-63 (15-c) "Pensionable payroll" means the aggregate
3-64 salary of all the firefighters on active service in an applicable
3-65 fiscal year.

3-66 (15-d) "Price inflation assumption" means:

3-67 (A) the most recent headline consumer price index
3-68 10-year forecast published in the Federal Reserve Bank of
3-69 Philadelphia Survey of Professional Forecasters; or

4-1 (B) if the forecast described by Paragraph (A) of
4-2 this subdivision is not available, another standard as determined
4-3 by mutual agreement between the municipality and the board.

4-4 (15-e) "Projected pensionable payroll" means the
4-5 estimated pensionable payroll for the fiscal year beginning 12
4-6 months after the date of the risk sharing valuation study prepared
4-7 under Section 13B or 13C of this article, as applicable, at the time
4-8 of calculation by:

4-9 (A) projecting the prior fiscal year's
4-10 pensionable payroll forward two years using the current payroll
4-11 growth rate assumptions; and

4-12 (B) adjusting, if necessary, for changes in
4-13 population or other known factors, provided those factors would
4-14 have a material impact on the calculation, as determined by the
4-15 board.

4-16 (15-f) "PROP" means the post-retirement option plan
4-17 under Section 5A of this article.

4-18 (15-g) "PROP account" means the notional account
4-19 established to reflect the credits and contributions of a member or
4-20 surviving spouse who made a PROP election in accordance with
4-21 Section 5A of this article before the year 2017 effective date.

4-22 (16) "Salary" means wages as defined by Section
4-23 3401(a) of the code, [~~the amounts includable in gross income of a~~
4-24 ~~member~~] plus any amount not includable in gross income under
4-25 Section 104(a)(1), Section 132(f) [~~125~~], Section 402(g)(2)
4-26 [~~402(e)(3) or (h)~~], Section 457 [~~403(b)~~], or Section 414(h)(2)
4-27 [~~414(h)~~] of the code, except that with respect to salary earned on
4-28 or after the year 2017 effective date, gross income excludes
4-29 overtime pay received by a member or the amount by which the salary
4-30 earned by a member on the basis of the member's appointed position
4-31 exceeds the salary of the member's highest tested rank.

4-32 (16-a) "Third quarter line rate" means the corridor
4-33 midpoint plus 2.5 percentage points.

4-34 (16-b) "Ultimate entry age normal" means an actuarial
4-35 cost method under which a calculation is made to determine the
4-36 average uniform and constant percentage rate of contributions that,
4-37 if applied to the compensation of each member during the entire
4-38 period of the member's anticipated covered service, would be
4-39 required to meet the cost of all benefits payable on the member's
4-40 behalf based on the benefits provisions for newly hired employees.
4-41 For purposes of this definition, the actuarial accrued liability
4-42 for each member is the difference between the member's present
4-43 value of future benefits based on the tier of benefits that apply to
4-44 the member and the member's present value of future normal costs
4-45 determined using the normal cost rate.

4-46 (16-c) "Unfunded actuarial accrued liability" means
4-47 the difference between the actuarial accrued liability and the
4-48 actuarial value of assets. For purposes of this definition:

4-49 (A) "actuarial accrued liability" means the
4-50 portion of the actuarial present value of projected benefits
4-51 attributed to past periods of member service based on the cost
4-52 method used in the risk sharing valuation study prepared under
4-53 Section 13B or 13C of this article, as applicable; and

4-54 (B) "actuarial value of assets" means the value
4-55 of fund investments as calculated using the asset smoothing method
4-56 used in the risk sharing valuation study prepared under Section 13B
4-57 or 13C of this article, as applicable.

4-58 (16-d) "Unanticipated change" means, with respect to
4-59 the unfunded actuarial accrued liability in each risk sharing
4-60 valuation study prepared under Section 13B or 13C of this article,
4-61 as applicable, the difference between:

4-62 (A) the remaining balance of all then-existing
4-63 liability layers as of the date of the risk sharing valuation study;
4-64 and

4-65 (B) the actual unfunded actuarial accrued
4-66 liability as of the date of the risk sharing valuation study.

4-67 (16-e) "Year 2017 effective date" means the date on
4-68 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
4-69 2017, took effect.

5-1 SECTION 1.02. Article 6243e.2(1), Revised Statutes, is
5-2 amended by adding Sections 1A and 1B to read as follows:

5-3 Sec. 1A. INTERPRETATION OF ARTICLE. This article,
5-4 including Sections 2(p) and (p-1) of this article, does not and may
5-5 not be interpreted to:

5-6 (1) relieve the municipality, the board, or the fund
5-7 of their respective obligations under Sections 13A through 13F of
5-8 this article or under any agreement between the municipality and
5-9 the board under this article;

5-10 (2) reduce or modify the rights of the municipality,
5-11 the board, or the fund, including any officer or employee of the
5-12 municipality, board, or fund, to enforce obligations described by
5-13 Subdivision (1) of this section;

5-14 (3) relieve the municipality, including any official
5-15 or employee of the municipality, from:

5-16 (A) paying or directing to pay required
5-17 contributions to the fund under Section 13 or 13A of this article or
5-18 taking other steps required under Section 13E or 13F of this article
5-19 or under any agreement between the municipality and the board; or

5-20 (B) reducing or modifying the rights of the board
5-21 and any officer or employee of the board or fund to enforce
5-22 obligations described by Subdivision (1) of this section;

5-23 (4) relieve the board or fund, including any officer
5-24 or employee of the board or fund, from any obligation to implement a
5-25 benefit change or take other steps required by Section 13E or 13F of
5-26 this article or under any agreement between the municipality and
5-27 the board under this article; or

5-28 (5) reduce or modify the rights of the municipality
5-29 and any officer or employee of the municipality to enforce an
5-30 obligation described by Subdivision (4) of this section.

5-31 Sec. 1B. FISCAL YEAR. The fund or the municipality or both
5-32 may only change their respective fiscal years by entering into a
5-33 written agreement. If the fund and municipality enter into an
5-34 agreement described by this section, the parties shall, in the
5-35 agreement, adjust the provisions of Sections 13A through 13F of
5-36 this article to reflect that change.

5-37 SECTION 1.03. Section 2, Article 6243e.2(1), Revised
5-38 Statutes, is amended by amending Subsection (b) and adding
5-39 Subsection (t) to read as follows:

5-40 (b) The board of trustees of the fund shall be known as the
5-41 "(name of municipality) Firefighters' Relief and Retirement Fund
5-42 Board of Trustees" and the fund shall be known as the "(name of
5-43 municipality) Firefighters' Relief and Retirement Fund." The board
5-44 consists of 10 trustees, including:

5-45 (1) the mayor or an appointed representative of the
5-46 mayor;

5-47 (2) the director of finance or the director of
5-48 finance's designee [~~treasurer~~] of the municipality or, if there is
5-49 not a director of finance [~~treasurer~~], the highest ranking employee
5-50 of the municipality, excluding elected officials, with
5-51 predominately financial responsibilities, as determined by the
5-52 mayor, or that employee's designee [~~secretary, clerk, or other~~
5-53 ~~person who by law, charter provision, or ordinance performs the~~
5-54 ~~duty of treasurer of the municipality~~];

5-55 (3) five firefighters who are members of the fund;

5-56 (4) one person who is a retired firefighter and a
5-57 member of the fund with at least 20 years of participation; and

5-58 (5) two persons, each of whom is a registered voter of
5-59 the municipality, has been a resident of the municipality for at
5-60 least one year preceding the date of initial appointment, and is not
5-61 a municipal officer or employee.

5-62 (t) The officers and employees of the municipality are fully
5-63 protected and free of liability for any action taken or omission
5-64 made or any action or omission suffered by them in good faith,
5-65 objectively determined, in the performance of their duties related
5-66 to the fund. The protection from liability provided by this
5-67 subsection is cumulative of and in addition to any other
5-68 constitutional, statutory, or common law official or governmental
5-69 immunity, defense, and civil or procedural protection provided to

6-1 the municipality as a governmental entity and to a municipal
6-2 official or employee as an official or employee of a governmental
6-3 entity. Except for a waiver expressly provided by this article,
6-4 this article does not grant an implied waiver of any immunity.

6-5 SECTION 1.04. Article 6243e.2(1), Revised Statutes, is
6-6 amended by adding Sections 2A and 2B to read as follows:

6-7 Sec. 2A. QUALIFICATIONS OF MUNICIPAL ACTUARY. (a) An
6-8 actuary hired by the municipality for purposes of this article must
6-9 be an actuary from a professional service firm who:

6-10 (1) is not already engaged by the fund or any other
6-11 pension system authorized under Article 6243g-4, Revised Statutes,
6-12 or Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular
6-13 Session, 2001 (Article 6243h, Vernon's Texas Civil Statutes), to
6-14 provide actuarial services to the fund or pension system, as
6-15 applicable;

6-16 (2) has a minimum of 10 years of professional
6-17 actuarial experience; and

6-18 (3) is a fellow of the Society of Actuaries or a member
6-19 of the American Academy of Actuaries and who, in carrying out duties
6-20 for the municipality, has met the applicable requirements to issue
6-21 statements of actuarial opinion.

6-22 (b) Notwithstanding Subsection (a) of this section, the
6-23 municipal actuary does not need to meet any greater qualifications
6-24 than those required by the board for the fund actuary.

6-25 Sec. 2B. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT
6-26 CONSULTANT. At least once every three years, the board shall hire
6-27 an independent investment consultant to conduct a review of fund
6-28 investments and submit a report to the board and the municipality
6-29 concerning the review or demonstrate in the fund's annual financial
6-30 report that the review was conducted. The independent investment
6-31 consultant shall review and report on at least the following:

6-32 (1) the fund's compliance with its investment policy
6-33 statement, ethics policies, including policies concerning the
6-34 acceptance of gifts, and policies concerning insider trading;

6-35 (2) the fund's asset allocation, including a review
6-36 and discussion of the various risks, objectives, and expected
6-37 future cash flows;

6-38 (3) the fund's portfolio structure, including the
6-39 system's need for liquidity, cash income, liquid returns, and
6-40 inflation protection and the active, passive, or index approaches
6-41 used for different portions of the portfolio;

6-42 (4) investment manager or advisor performance reviews
6-43 and an evaluation of the processes used to select and evaluate
6-44 managers;

6-45 (5) benchmarks used for each asset class and
6-46 individual manager;

6-47 (6) an evaluation of fees and trading costs;

6-48 (7) an evaluation of investments in any leverage,
6-49 foreign exchange, or other hedging transaction; and

6-50 (8) an evaluation of investment-related disclosures
6-51 in the fund's annual reports or valuations.

6-52 SECTION 1.05. Section 3(d), Article 6243e.2(1), Revised
6-53 Statutes, is amended to read as follows:

6-54 (d) The board may have an actuarial valuation performed each
6-55 year, and for determining the municipality's contribution rate as
6-56 provided by Section 13A [13(d)] of this article, the board may adopt
6-57 a new actuarial valuation each year[, except that an actuarial
6-58 valuation that will result in an increased municipal contribution
6-59 rate that is above the statutory minimum may be adopted only once
6-60 every three years, unless the governing body of the municipality
6-61 consents to a more frequent increase].

6-62 SECTION 1.06. Article 6243e.2(1), Revised Statutes, is
6-63 amended by adding Section 3A to read as follows:

6-64 Sec. 3A. CERTAIN ALTERATIONS BY LOCAL AGREEMENT.

6-65 (a) Except as provided by Subsection (b) of this section, the
6-66 board is authorized, on behalf of the members or beneficiaries of
6-67 the fund, to alter benefit types or amounts, the means of
6-68 determining contribution rates, or the contribution rates provided
6-69 under this article if the alteration is included in a written

7-1 agreement between the board and the municipality. An agreement
7-2 entered into under this section:
7-3 (1) must:
7-4 (A) if the agreement concerns benefit increases,
7-5 other than benefit increases that are the result of Section 13E of
7-6 this article, adhere to the processes and standards set forth in
7-7 Section 10 of this article; and
7-8 (B) operate prospectively only; and
7-9 (2) may not, except as provided by Sections 13A
7-10 through 13F of this article, have the effect or result of increasing
7-11 the unfunded liability of the fund.
7-12 (b) In a written agreement entered into between the
7-13 municipality and the board under this section, the parties may not:
7-14 (1) fundamentally alter Sections 13A through 13F of
7-15 this article;
7-16 (2) increase the assumed rate of return to more than
7-17 seven percent per year;
7-18 (3) extend the amortization period of a liability
7-19 layer to more than 30 years from the first day of the fiscal year
7-20 beginning 12 months after the date of the risk sharing valuation
7-21 study in which the liability layer is first recognized; or
7-22 (4) allow a municipal contribution rate in any year
7-23 that is less than or greater than the municipal contribution rate
7-24 required under Section 13E or 13F of this article, as applicable.
7-25 (c) If the board is directed or authorized in Sections 13A
7-26 through 13F of this article to effect an increase or decrease to
7-27 benefits or contributions, this article delegates the authority to
7-28 alter provisions concerning benefits and contributions otherwise
7-29 stated in this article in accordance with the direction or
7-30 authorization only to the extent the alteration is set forth in an
7-31 order or other written instrument and is consistent with this
7-32 section, the code, and other applicable federal law and
7-33 regulations. The order or other written instrument must be
7-34 included in each applicable risk sharing valuation study under
7-35 Section 13B or 13C of this article, as applicable, adopted by the
7-36 board, and published in a manner that makes the order or other
7-37 written instrument accessible to the members.
7-38 SECTION 1.07. Section 4, Article 6243e.2(1), Revised
7-39 Statutes, is amended by amending Subsections (a) and (b) and adding
7-40 Subsections (b-1) and (b-2) to read as follows:
7-41 (a) A member [~~with at least 20 years of participation~~] who
7-42 terminates active service for any reason other than death is
7-43 entitled to receive a service pension provided by this section if
7-44 the member was:
7-45 (1) hired as a firefighter before the year 2017
7-46 effective date, including a member who was hired before the year
7-47 2017 effective date and who involuntarily separated from service
7-48 but has been retroactively reinstated in accordance with an
7-49 arbitration, civil service, or court ruling, at the earlier of:
7-50 (A) the age at which the member attains 20 years
7-51 of service; or
7-52 (B) the age at which the member first attains the
7-53 age of at least 50 years and at least 10 years of service; and
7-54 (2) except as provided by Subdivision (1) of this
7-55 subsection, hired or rehired as a firefighter on or after the year
7-56 2017 effective date, when the sum of the member's age in years and
7-57 the member's years of participation in the fund equals at least 70.
7-58 (b) Except as otherwise provided by Subsection (d) of this
7-59 section, the monthly service pension for a member described by:
7-60 (1) Subsection (a)(1) of this section is equal to the
7-61 sum of:
7-62 (A) the member's accrued monthly service pension
7-63 based on the member's years of participation before the year 2017
7-64 effective date, determined under the law in effect on the date
7-65 immediately preceding the year 2017 effective date;
7-66 (B) 2.75 percent of the member's average monthly
7-67 salary multiplied by the member's years of participation on or
7-68 after the year 2017 effective date, for each year or partial year of
7-69 participation of the member's first 20 years of participation; and

8-1 (C) two percent of the member's average monthly
 8-2 salary multiplied by the member's years of participation on or
 8-3 after the year 2017 effective date, for each year or partial year of
 8-4 participation on or after the year 2017 effective date that
 8-5 occurred after the 20 years of participation described by Paragraph
 8-6 (B) of this subdivision; and

8-7 (2) Subsection (a)(2) of this section is equal to the
 8-8 sum of:

8-9 (A) 2.25 percent of the member's average monthly
 8-10 salary multiplied by the member's years or partial years of
 8-11 participation for the member's first 20 years of participation; and

8-12 (B) two percent of the member's average monthly
 8-13 salary multiplied by the member's years or partial years of
 8-14 participation for all years of participation that occurred after
 8-15 the 20 years of participation described by Paragraph (A) of this
 8-16 subdivision.

8-17 (b-1) For purposes of Subsection (b) of this section,
 8-18 partial years shall be computed to the nearest one-twelfth of a
 8-19 year.

8-20 (b-2) A member's monthly service pension may not exceed 80
 8-21 percent of the member's average monthly salary [A member who
 8-22 terminates active service on or after November 1, 1997, and who has
 8-23 completed at least 20 years of participation in the fund on the
 8-24 effective date of termination of service is entitled to a monthly
 8-25 service pension, beginning after the effective date of termination
 8-26 of active service, in an amount equal to 50 percent of the member's
 8-27 average monthly salary, plus three percent of the member's average
 8-28 monthly salary for each year of participation in excess of 20 years,
 8-29 but not in excess of 30 years of participation, for a maximum total
 8-30 benefit of 80 percent of the member's average monthly salary].

8-31 SECTION 1.08. Section 5, Article 6243e.2(1), Revised
 8-32 Statutes, is amended by amending Subsections (a), (b), (c), (d),
 8-33 and (m) and adding Subsections (a-1), (b-1), (d-1), (d-2), and
 8-34 (e-1) to read as follows:

8-35 (a) A member who is eligible to receive a service pension
 8-36 under Section 4(a)(1) [4] of this article and who remains in active
 8-37 service may elect to participate in the deferred retirement option
 8-38 plan provided by this section. A member who is eligible to receive
 8-39 a service pension under Section 4(a)(2) of this article may not
 8-40 elect to participate in the deferred retirement option plan
 8-41 provided by this section. On subsequently terminating active
 8-42 service, a member who elected the DROP may apply for a monthly
 8-43 service pension under Section 4 of this article, except that the
 8-44 effective date of the member's election to participate in the DROP
 8-45 will be considered the member's retirement date for determining the
 8-46 amount of the member's monthly service pension. The member may also
 8-47 apply for any DROP benefit provided under this section on
 8-48 terminating active service. An election to participate in the
 8-49 DROP, once approved by the board, is irrevocable.

8-50 (a-1) The monthly benefit of a [A] DROP participant who has
 8-51 at least 20 years of participation on the year 2017 effective date
 8-52 [participant's monthly benefit at retirement] is increased at
 8-53 retirement by two percent of the amount of the member's original
 8-54 benefit for every full year of participation in the DROP by the
 8-55 member for up to 10 years of participation in the DROP. For a
 8-56 member's final year of participation, but not beyond the member's
 8-57 10th year in the DROP, if a full year of participation is not
 8-58 completed, the member shall receive a prorated increase of 0.166
 8-59 percent of the member's original benefit for each month of
 8-60 participation in that year. An increase provided by this
 8-61 subsection does not apply to benefits payable under Subsection (1)
 8-62 of this section. An increase under this subsection is applied to
 8-63 the member's benefit at retirement and is not added to the member's
 8-64 DROP account. The total increase under this subsection may not
 8-65 exceed 20 percent for 10 years of participation in the DROP by the
 8-66 member.

8-67 (b) A member may elect to participate in the DROP by
 8-68 complying with the election process established by the board. The
 8-69 member's election may be made at any time beginning on the date the

9-1 member has completed 20 years of participation in the fund and is
 9-2 otherwise eligible for a service pension under Section 4(a)(1) [4]
 9-3 of this article. [~~The election becomes effective on the first day~~
 9-4 ~~of the month following the month in which the board approves the~~
 9-5 ~~member's DROP election.~~] Beginning on the first day of the month
 9-6 following the month in which the member makes an election to
 9-7 participate in the DROP, subject to board approval, and ending on
 9-8 the year 2017 effective date [of the member's DROP election],
 9-9 amounts equal to the deductions made from the member's salary under
 9-10 Section 13(c) of this article shall be credited to the member's DROP
 9-11 account. Beginning after the year 2017 effective date, amounts
 9-12 equal to the deductions made from the member's salary under Section
 9-13 13(c) of this article may not be credited to the member's DROP
 9-14 account.

9-15 (b-1) On or after the year 2017 effective date, an active
 9-16 [A] member may not participate in the DROP for more than 13 [10]
 9-17 years. If a DROP participant remains in active service after the
 9-18 13th [10th] anniversary of the effective date of the member's DROP
 9-19 election:

9-20 (1) [7] subsequent deductions from the member's salary
 9-21 under Section 13(c) of this article may not be credited to the
 9-22 member's DROP account; and

9-23 (2) the account shall continue to be credited with
 9-24 earnings in accordance with Subsection (d) of this section [and may
 9-25 not otherwise increase any benefit payable from the fund for the
 9-26 member's service].

9-27 (c) After a member's DROP election becomes effective, an
 9-28 amount equal to the monthly service pension the member would have
 9-29 received under Section 4 of this article and Section 11(c), (c-1),
 9-30 or (c-2) of this article, if applicable, had the member terminated
 9-31 active service on the effective date of the member's DROP election
 9-32 shall be credited to a DROP account maintained for the member. That
 9-33 monthly credit to the member's DROP account shall continue until
 9-34 the earlier of the date the member terminates active service or the
 9-35 13th [10th] anniversary of the [effective] date of the first credit
 9-36 to the member's DROP account [election].

9-37 (d) A member's DROP account shall be credited with earnings
 9-38 at an annual rate equal to 65 percent of the compounded average
 9-39 annual return earned by the fund over the five years preceding, but
 9-40 not including, the year during which the credit is given.
 9-41 Notwithstanding the preceding, however, the credit to the member's
 9-42 DROP account shall be at an annual rate of not less than 5.5 [five]
 9-43 percent [nor greater than 10 percent], irrespective of actual
 9-44 earnings.

9-45 (d-1) Earnings credited to a member's DROP account under
 9-46 Subsection (d) of this section [Those earnings] shall be computed
 9-47 and credited at a time and in a manner determined by the board,
 9-48 except that earnings shall be credited not less frequently than
 9-49 once in each 13-month period and shall take into account partial
 9-50 years of participation in the DROP[. If the member has not
 9-51 terminated active service, the member's DROP account may not be
 9-52 credited with earnings after the 10th anniversary of the effective
 9-53 date of the member's DROP election].

9-54 (d-2) A member may not roll over accumulated unused sick or
 9-55 vacation time paid to the member as a lump-sum payment after
 9-56 termination of active service into the member's DROP account.

9-57 (e-1) In lieu of receiving a lump-sum payment on termination
 9-58 from active service, a retired member who has been a DROP
 9-59 participant or, if termination from active service was due to the
 9-60 DROP participant's death, the surviving spouse of the DROP
 9-61 participant may elect to leave the retired member's DROP account
 9-62 with the fund and receive earnings credited to the DROP account in
 9-63 the manner described by Subsection (d) of this section.

9-64 (m) A DROP participant with a break in service may receive
 9-65 service credit within DROP for days worked after the regular
 9-66 expiration of the maximum [permitted] DROP participation period
 9-67 prescribed by this section. The service credit shall be limited to
 9-68 the number of days in which the participant experienced a break in
 9-69 service or the number of days required to constitute 13 [10] years

10-1 of DROP participation, whichever is smaller. A retired member who
 10-2 previously participated in the DROP and who returns to active
 10-3 service is subject to the terms of this section in effect at the
 10-4 time of the member's return to active service.

10-5 SECTION 1.09. Section 5A, Article 6243e.2(1), Revised
 10-6 Statutes, is amended by adding Subsection (o) to read as follows:

10-7 (o) Notwithstanding any other provision of this article, on
 10-8 or after the year 2017 effective date:

10-9 (1) a PROP participant may not have any additional
 10-10 amounts that the participant would otherwise receive as a monthly
 10-11 service pension or other benefits under this article credited to
 10-12 the participant's PROP account; and

10-13 (2) a person, including a member or surviving spouse,
 10-14 may not elect to participate in the PROP.

10-15 SECTION 1.10. Section 8, Article 6243e.2(1), Revised
 10-16 Statutes, is amended to read as follows:

10-17 Sec. 8. DEFERRED PENSION AT AGE 50; REFUND OF
 10-18 CONTRIBUTIONS. (a) On or after the year 2017 effective date, a [A]
 10-19 member who is hired as a firefighter before the year 2017 effective
 10-20 date, including a member who was hired before the year 2017
 10-21 effective date and who involuntarily separated from service but has
 10-22 been retroactively reinstated in accordance with an arbitration,
 10-23 civil service, or court ruling, terminates active service for any
 10-24 reason other than death with at least 10 years of participation, but
 10-25 less than 20 years of participation, is entitled to a monthly
 10-26 deferred pension benefit, beginning at age 50, in an amount equal to
 10-27 1.7 percent of the member's average monthly salary multiplied by
 10-28 the amount of the member's years of participation.

10-29 (b) In lieu of the deferred pension benefit provided under
 10-30 Subsection (a) of this section, a member who terminates active
 10-31 service for any reason other than death with at least 10 years of
 10-32 participation, but less than 20 years of participation, may elect
 10-33 to receive a lump-sum refund of the member's contributions to the
 10-34 fund with interest computed at five percent, not compounded, for
 10-35 the member's contributions to the fund made before the year 2017
 10-36 effective date and without interest for the member's contributions
 10-37 to the fund made on or after the year 2017 effective date. A
 10-38 member's election to receive a refund of contributions must be made
 10-39 on a form approved by the board. The member's refund shall be paid
 10-40 as soon as administratively practicable after the member's election
 10-41 is received.

10-42 (c) Except as provided by Subsection (a) of this section, a
 10-43 [A] member who is hired or rehired as a firefighter on or after the
 10-44 year 2017 effective date or a member who terminates employment for
 10-45 any reason other than death before the member has completed 10 years
 10-46 of participation is entitled only to a refund of the member's
 10-47 contributions without interest and is not entitled to a deferred
 10-48 pension benefit under this section or to any other benefit under
 10-49 this article. The member's refund shall be paid as soon as
 10-50 administratively practicable after the effective date of the
 10-51 member's termination of active service.

10-52 SECTION 1.11. Section 11, Article 6243e.2(1), Revised
 10-53 Statutes, is amended by amending Subsection (c) and adding
 10-54 Subsections (c-1), (c-2), (c-3), and (c-4) to read as follows:

10-55 (c) Subject to Subsection (c-3) of this section and except
 10-56 as provided by Subsection (c-4) of this section, beginning with the
 10-57 fiscal year ending June 30, 2021, the [The] benefits, including
 10-58 survivor benefits, payable based on the service of a member who has
 10-59 terminated active service and who is or would have been at least 55
 10-60 [48] years old, received or is receiving an on-duty disability
 10-61 pension under Section 6(c) of this article, or died under the
 10-62 conditions described by Section 7(c) of this article, shall be
 10-63 increased [by three percent] in October of each year by a percentage
 10-64 rate equal to the most recent five fiscal years' smoothed return, as
 10-65 determined by the fund actuary, minus 500 basis points [and, if the
 10-66 benefit had not previously been subject to that adjustment, in the
 10-67 month of the member's 48th birthday].

10-68 (c-1) Subject to Subsection (c-3) of this section and except
 10-69 as provided by Subsection (c-4) of this section, for the fund's

11-1 fiscal years ending June 30, 2018, and June 30, 2019, the benefits,
 11-2 including survivor benefits, payable based on the service of a
 11-3 member who is or would have been at least 70 years old and who
 11-4 received or is receiving a service pension under Section 4 of this
 11-5 article, received or is receiving an on-duty disability pension
 11-6 under Section 6(c) of this article, or died under the conditions
 11-7 described by Section 7(c) of this article, shall be adjusted in
 11-8 October of each applicable fiscal year by a percentage rate equal to
 11-9 the most recent five fiscal years' smoothed return, as determined
 11-10 by the fund actuary, minus 500 basis points.

11-11 (c-2) Subject to Subsection (c-3) of this section and except
 11-12 as provided by Subsection (c-4) of this section, for the fund's
 11-13 fiscal year ending June 30, 2020, members described by Subsection
 11-14 (c-1) of this section shall receive the increase provided under
 11-15 Subsection (c) of this section.

11-16 (c-3) The percentage rate prescribed by Subsections (c),
 11-17 (c-1), and (c-2) of this section may not be less than zero percent
 11-18 or more than four percent, irrespective of the return rate of the
 11-19 fund's investment portfolio.

11-20 (c-4) Each year after the year 2017 effective date, a member
 11-21 who elects to participate in the DROP under Section 5 of this
 11-22 article may not receive the increase provided under Subsection (c),
 11-23 (c-1), or (c-2) of this section in any October during which the
 11-24 member participates in the DROP.

11-25 SECTION 1.12. The heading to Section 13, Article
 11-26 6243e.2(1), Revised Statutes, is amended to read as follows:

11-27 Sec. 13. MEMBERSHIP AND MEMBER CONTRIBUTIONS.

11-28 SECTION 1.13. Section 13(c), Article 6243e.2(1), Revised
 11-29 Statutes, is amended to read as follows:

11-30 (c) Subject to adjustments authorized by Section 13E or 13F
 11-31 of this article, each [Each] member in active service shall make
 11-32 contributions to the fund in an amount equal to 10.5 [8.35] percent
 11-33 of the member's salary at the time of the contribution[, and as of
 11-34 July 1, 2004, in an amount equal to nine percent of the member's
 11-35 salary at the time of the contribution]. The governing body of the
 11-36 municipality shall deduct the contributions from the member's
 11-37 salary and shall forward the contributions to the fund as soon as
 11-38 practicable.

11-39 SECTION 1.14. Article 6243e.2(1), Revised Statutes, is
 11-40 amended by adding Sections 13A, 13B, 13C, 13D, 13E, 13F, and 13G to
 11-41 read as follows:

11-42 Sec. 13A. MUNICIPAL CONTRIBUTIONS. (a) Beginning with the
 11-43 year 2017 effective date, the municipality shall make contributions
 11-44 to the fund as provided by this section and Section 13C, 13E, or 13F
 11-45 of this article, as applicable. The municipality shall contribute:

11-46 (1) except by written agreement between the
 11-47 municipality and the board providing for an earlier contribution
 11-48 date, beginning with the year 2017 effective date and ending with
 11-49 the fiscal year ending June 30, 2018, an amount, as determined in
 11-50 the initial risk sharing valuation study conducted under Section
 11-51 13C of this article, equal to the municipal contribution rate
 11-52 multiplied by the pensionable payroll for the fiscal year; and

11-53 (2) for each fiscal year after the fiscal year ending
 11-54 June 30, 2018, an amount, as determined in the subsequent risk
 11-55 sharing valuation study conducted under Section 13B of this
 11-56 article, equal to the municipal contribution rate multiplied by the
 11-57 pensionable payroll for the applicable fiscal year.

11-58 (b) At least biweekly, the municipality shall make the
 11-59 contributions required by Subsection (a) of this section by
 11-60 depositing with the fund an amount equal to the municipal
 11-61 contribution rate multiplied by the pensionable payroll for the
 11-62 applicable biweekly period.

11-63 (c) Subject to Section 13E or 13F of this article, the
 11-64 municipal contribution rate:

11-65 (1) except as provided by Subdivision (2) of this
 11-66 subsection, is a percent that equals the sum of the employer normal
 11-67 cost rate and the amortization rate for all liability layers; and

11-68 (2) may not exceed the maximum contribution rate or be
 11-69 less than the minimum contribution rate.

12-1 (d) With respect to each fiscal year:
12-2 (1) the first contribution by the municipality under
12-3 this section for the fiscal year shall be made not later than the
12-4 date payment is made to firefighters for their first full biweekly
12-5 pay period beginning on or after the first day of the fiscal year;
12-6 and
12-7 (2) the final contribution by the municipality under
12-8 this section for the fiscal year shall be made not later than the
12-9 date payment is made to firefighters for the final biweekly pay
12-10 period of the fiscal year.
12-11 (e) In addition to the amounts required under this section,
12-12 the municipality may at any time contribute additional amounts for
12-13 deposit in the fund by entering into a written agreement with the
12-14 board.
12-15 Sec. 13B. RISK SHARING VALUATION STUDIES. (a) The fund
12-16 and the municipality shall prepare a risk sharing valuation study
12-17 in accordance with this section. A risk sharing valuation study
12-18 must:
12-19 (1) be included in the fund's standard valuation study
12-20 prepared annually by the fund;
12-21 (2) calculate the unfunded actuarial accrued
12-22 liability of the fund consistent with actuarial standards of
12-23 practice and based on actuarial data or estimates of actuarial data
12-24 provided by the fund actuary;
12-25 (3) estimate the municipal contribution rate by making
12-26 adjustments to the calculation of the rate that do not require
12-27 agreement between the municipality and the board under Section 13E
12-28 or 13F of this article;
12-29 (4) subject to Subsection (g) of this section, be
12-30 based on assumptions and methods determined based on the most
12-31 recent actuarial experience study conducted under Section 13D of
12-32 this article, provided the following assumptions and methods are
12-33 used:
12-34 (A) an ultimate entry age normal actuarial
12-35 method;
12-36 (B) for purposes of determining the actuarial
12-37 value of assets:
12-38 (i) except as provided by Subparagraph (ii)
12-39 of this paragraph and Section 13E(c)(1) or 13F(c)(1) of this
12-40 article, an asset smoothing method recognizing actuarial losses and
12-41 gains over a five-year period applied prospectively beginning on
12-42 the year 2017 effective date; and
12-43 (ii) for the initial risk sharing valuation
12-44 study prepared under Section 13C of this article, a
12-45 marked-to-market method applied as of June 30, 2016;
12-46 (C) closed layered amortization of liability
12-47 layers to ensure that the amortization period for each layer begins
12-48 12 months after the date of the risk sharing valuation study in
12-49 which the liability layer is first recognized;
12-50 (D) each liability layer is assigned an
12-51 amortization period;
12-52 (E) each liability loss layer amortized over a
12-53 period of 30 years from the first day of the fiscal year beginning
12-54 12 months after the date of the risk sharing valuation study in
12-55 which the liability loss layer is first recognized, except that the
12-56 legacy liability must be amortized from July 1, 2016, for a 30-year
12-57 period beginning July 1, 2017;
12-58 (F) the amortization period for each liability
12-59 gain layer being:
12-60 (i) equal to the remaining amortization
12-61 period on the largest remaining liability loss layer and the two
12-62 layers must be treated as one layer such that if the payoff year of
12-63 the liability loss layer is accelerated or extended, the payoff
12-64 year of the liability gain layer is also accelerated or extended; or
12-65 (ii) if there is no liability loss layer, a
12-66 period of 30 years from the first day of the fiscal year beginning
12-67 12 months after the date of the risk sharing valuation study in
12-68 which the liability gain layer is first recognized;
12-69 (G) liability layers, including the legacy

13-1 liability, funded according to the level percent of payroll method;
 13-2 (H) the assumed rate of return, subject to
 13-3 adjustment under Section 13E(c)(2) of this article or, if Section
 13-4 13C(g) of this article applies, adjustment in accordance with a
 13-5 written agreement;
 13-6 (I) the price inflation assumption, which shall
 13-7 be adjusted by plus or minus 50 basis points based on the most
 13-8 recent actuarial experience study;
 13-9 (J) projected salary increases and payroll
 13-10 growth rate set in consultation with the municipality's finance
 13-11 director; and
 13-12 (K) payroll for purposes of determining the
 13-13 corridor midpoint and municipal contribution rate must be projected
 13-14 using the annual payroll growth rate assumption; and
 13-15 (5) be revised and restated, if appropriate, not later
 13-16 than the 30th day after the date of a written agreement between the
 13-17 municipality and the board.
 13-18 (b) As soon as practicable after the end of a fiscal year,
 13-19 the fund actuary at the direction of the fund and the municipal
 13-20 actuary at the direction of the municipality shall separately
 13-21 prepare a proposed risk sharing valuation study based on the fiscal
 13-22 year that just ended.
 13-23 (c) Not later than September 30 following the end of the
 13-24 fiscal year, the fund shall provide to the municipal actuary, under
 13-25 a confidentiality agreement in which the municipal actuary agrees
 13-26 to comply with the confidentiality provisions of Section 17 of this
 13-27 article, the actuarial data described by Subsection (a)(2) of this
 13-28 section.
 13-29 (d) Not later than the 150th day after the last day of the
 13-30 fiscal year:
 13-31 (1) the fund actuary, at the direction of the fund,
 13-32 shall provide the proposed risk sharing valuation study prepared by
 13-33 the fund actuary under Subsection (b) of this section to the
 13-34 municipal actuary; and
 13-35 (2) the municipal actuary, at the direction of the
 13-36 municipality, shall provide the proposed risk sharing valuation
 13-37 study prepared by the municipal actuary under Subsection (b) of
 13-38 this section to the fund actuary.
 13-39 (e) Each actuary described by Subsection (d) of this section
 13-40 may provide copies of the proposed risk sharing valuation studies
 13-41 to the municipality or to the fund, as appropriate.
 13-42 (f) If, after exchanging proposed risk sharing valuation
 13-43 studies under Subsection (d) of this section, it is found that the
 13-44 difference between the projected municipal contribution rate in the
 13-45 proposed risk sharing valuation study prepared by the fund actuary
 13-46 and the projected municipal contribution rate in the proposed risk
 13-47 sharing valuation study prepared by the municipal actuary for the
 13-48 corresponding fiscal year is:
 13-49 (1) less than or equal to two percentage points, the
 13-50 municipal contribution rate proposed by the fund actuary will be
 13-51 used, and the risk sharing valuation study prepared by the fund is
 13-52 considered to be the final risk sharing valuation study for the
 13-53 fiscal year for the purposes of this article; or
 13-54 (2) greater than two percentage points, the municipal
 13-55 actuary and the fund actuary shall have 20 business days to
 13-56 reconcile the difference, provided that, without the mutual
 13-57 agreement of both actuaries, the difference in the municipal
 13-58 contribution rate calculated by the municipal actuary and the
 13-59 municipal contribution rate calculated by the fund actuary may not
 13-60 be further increased and:
 13-61 (A) if, as a result of reconciliation efforts
 13-62 under this subdivision, the difference is reduced to less than or
 13-63 equal to two percentage points:
 13-64 (i) the municipal contribution rate
 13-65 proposed under the reconciliation by the fund actuary will be used;
 13-66 and
 13-67 (ii) the fund's risk sharing valuation
 13-68 study is considered to be the final risk sharing valuation study for
 13-69 the fiscal year for the purposes of this article; or

14-1 (B) if, after 20 business days, the fund actuary
14-2 and the municipal actuary are not able to reach a reconciliation
14-3 that reduces the difference to an amount less than or equal to two
14-4 percentage points:

14-5 (i) the municipal actuary at the direction
14-6 of the municipality and the fund actuary at the direction of the
14-7 fund each shall deliver to the finance director of the municipality
14-8 and the executive director of the fund a final risk sharing
14-9 valuation study with any agreed-to changes, marked as the final
14-10 risk sharing valuation study for each actuary; and

14-11 (ii) not later than the 90th day before the
14-12 first day of the next fiscal year, the finance director and the
14-13 executive director shall execute a joint addendum to the final risk
14-14 sharing valuation study received under Subparagraph (i) of this
14-15 paragraph that is a part of the final risk sharing valuation study
14-16 for the fiscal year for all purposes and reflects the arithmetic
14-17 average of the municipal contribution rates for the fiscal year
14-18 stated in the final risk sharing valuation study.

14-19 (g) The assumptions and methods used and the types of
14-20 actuarial data and financial information used to prepare the
14-21 initial risk sharing valuation study under Section 13C of this
14-22 article shall be used to prepare each subsequent risk sharing
14-23 valuation study under this section, unless changed based on the
14-24 actuarial experience study conducted under Section 13D of this
14-25 article.

14-26 (h) The actuarial data provided under Subsection (a)(2) of
14-27 this section may not include the identifying information of
14-28 individual members.

14-29 Sec. 13C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR
14-30 MIDPOINT. (a) The fund and the municipality shall separately
14-31 prepare an initial risk sharing valuation study that is dated as of
14-32 July 1, 2016, in accordance with this section. An initial risk
14-33 sharing valuation study must:

14-34 (1) except as otherwise provided by this section, be
14-35 prepared in accordance with Section 13B of this article and for
14-36 purposes of Section 13B(a)(2) of this article, be based on
14-37 actuarial data as of June 30, 2016; and

14-38 (2) project the corridor midpoint for 31 fiscal years
14-39 beginning with the fiscal year beginning July 1, 2017.

14-40 (b) If the following actions are not taken before the year
14-41 2017 effective date, as soon as practicable after the year 2017
14-42 effective date:

14-43 (1) the fund shall provide to the municipal actuary,
14-44 under a confidentiality agreement, the actuarial data needed to
14-45 prepare the proposed initial risk sharing valuation study;

14-46 (2) not later than the 30th day after the date the
14-47 municipal actuary receives the actuarial data:

14-48 (A) the municipal actuary, at the direction of
14-49 the municipality, shall provide a proposed initial risk sharing
14-50 valuation study to the fund actuary; and

14-51 (B) the fund actuary, at the direction of the
14-52 fund, shall provide a proposed initial risk sharing valuation study
14-53 to the municipal actuary; and

14-54 (3) the municipal actuary and the fund actuary shall
14-55 adopt an initial risk sharing valuation study in accordance with
14-56 Subsection (c) of this section.

14-57 (c) If, after exchanging proposed initial risk sharing
14-58 valuation studies under Subsection (b)(2) of this section, it is
14-59 determined that the difference between the contribution rate for
14-60 any fiscal year in the proposed initial risk sharing valuation
14-61 study prepared by the fund actuary and the contribution rate for any
14-62 fiscal year in the proposed initial risk sharing valuation study
14-63 prepared by the municipal actuary is:

14-64 (1) less than or equal to two percentage points, the
14-65 municipal contribution rate for that fiscal year as determined by
14-66 the fund actuary will be used; or

14-67 (2) greater than two percentage points, the municipal
14-68 actuary and the fund actuary shall have 20 business days to
14-69 reconcile the difference and:

15-1 (A) if, as a result of reconciliation efforts
 15-2 under this subdivision, the difference in any fiscal year is
 15-3 reduced to less than or equal to two percentage points, the
 15-4 municipal contribution rate as determined by the fund actuary for
 15-5 that fiscal year will be used; or

15-6 (B) if, after 20 business days, the municipal
 15-7 actuary and the fund actuary are not able to reach a reconciliation
 15-8 that reduces the difference to an amount less than or equal to two
 15-9 percentage points for any fiscal year:

15-10 (i) the municipal actuary at the direction
 15-11 of the municipality and the fund actuary at the direction of the
 15-12 fund each shall deliver to the finance director of the municipality
 15-13 and the executive director of the fund a final initial risk sharing
 15-14 valuation study with any agreed-to changes, marked as the final
 15-15 initial risk sharing valuation study for each actuary; and

15-16 (ii) the finance director and the executive
 15-17 director shall execute a joint addendum to the final initial risk
 15-18 sharing valuation study that is a part of each final initial risk
 15-19 sharing valuation study for all purposes and that reflects the
 15-20 arithmetic average of the municipal contribution rate for each
 15-21 fiscal year in which the difference was greater than two percentage
 15-22 points.

15-23 (d) In preparing the initial risk sharing valuation study,
 15-24 the municipal actuary and fund actuary shall:

15-25 (1) adjust the actuarial value of assets to be equal to
 15-26 the current market value of assets;

15-27 (2) assume the issuance of planned pension obligation
 15-28 bonds by December 31, 2017; and

15-29 (3) assume benefit and contribution changes
 15-30 contemplated by this article as of the year 2017 effective date.

15-31 (e) If the municipal actuary does not prepare an initial
 15-32 risk sharing valuation study for purposes of this section, the fund
 15-33 actuary's initial risk sharing valuation study will be used as the
 15-34 final risk sharing valuation study for purposes of this article
 15-35 unless the municipality did not prepare a proposed initial risk
 15-36 sharing valuation study because the fund actuary did not provide
 15-37 the necessary actuarial data in a timely manner. If the
 15-38 municipality did not prepare a proposed initial risk sharing
 15-39 valuation study because the fund actuary did not provide the
 15-40 necessary actuarial data in a timely manner, the municipal actuary
 15-41 shall have 60 days to prepare the proposed initial risk sharing
 15-42 valuation study on receipt of the necessary information.

15-43 (f) If the fund actuary does not prepare a proposed initial
 15-44 risk sharing valuation study for purposes of this section, the
 15-45 proposed initial risk sharing valuation study prepared by the
 15-46 municipal actuary will be the final risk sharing valuation study
 15-47 for purposes of this article.

15-48 (g) The municipality and the board may agree on a transition
 15-49 plan for resetting the corridor midpoint:

15-50 (1) if at any time the funded ratio is equal to or
 15-51 greater than 100 percent; or

15-52 (2) for any fiscal year after the payoff year of the
 15-53 legacy liability.

15-54 (h) If the municipality and the board have not entered into
 15-55 an agreement described by Subsection (g) of this section in a given
 15-56 fiscal year, the corridor midpoint will be the value determined in
 15-57 the initial risk sharing valuation study prepared in accordance
 15-58 with this section.

15-59 (i) If the municipality makes a contribution to the fund of
 15-60 at least \$5 million more than the amount that would be required by
 15-61 Section 13A(a) of this article, a liability gain layer with the same
 15-62 remaining amortization period as the legacy liability is created
 15-63 and the corridor midpoint shall be decreased by the amortized
 15-64 amount in each fiscal year covered by the liability gain layer
 15-65 produced divided by the projected pensionable payroll.

15-66 Sec. 13D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
 15-67 every four years, the fund actuary at the direction of the fund
 15-68 shall conduct an actuarial experience study. The actuarial
 15-69 experience study required by this subsection must be completed not

16-1 later than September 30 of the year in which the study is required
 16-2 to be conducted.

16-3 (b) Except as otherwise expressly provided by Section 13B of
 16-4 this article, actuarial assumptions and methods used in the
 16-5 preparation of a risk sharing valuation study, other than the
 16-6 initial risk sharing valuation study, shall be based on the results
 16-7 of the most recent actuarial experience study.

16-8 (c) Not later than the 180th day before the date the board
 16-9 may consider adopting any assumptions and methods for purposes of
 16-10 Section 13B of this article, the fund shall provide the municipal
 16-11 actuary with a substantially final draft of the fund's actuarial
 16-12 experience study, including:

16-13 (1) all assumptions and methods recommended by the
 16-14 fund actuary; and

16-15 (2) summaries of the reconciled actuarial data used in
 16-16 creation of the actuarial experience study.

16-17 (d) Not later than the 60th day after the date the
 16-18 municipality receives the final draft of the fund's actuarial
 16-19 experience study under Subsection (c) of this section, the
 16-20 municipal actuary and fund actuary shall confer and cooperate on
 16-21 reconciling and producing a final actuarial experience study.
 16-22 During the period prescribed by this subsection, the fund actuary
 16-23 may modify the recommended assumptions in the draft actuarial
 16-24 experience study to reflect any changes to assumptions and methods
 16-25 to which the fund actuary and the municipal actuary agree.

16-26 (e) At the municipal actuary's written request, the fund
 16-27 shall provide additional actuarial data used by the fund actuary to
 16-28 prepare the draft actuarial experience study, provided that
 16-29 confidential data may only be provided subject to a confidentiality
 16-30 agreement in which the municipal actuary agrees to comply with the
 16-31 confidentiality provisions of Section 17 of this article.

16-32 (f) The municipal actuary at the direction of the
 16-33 municipality shall provide in writing to the fund actuary and the
 16-34 fund:

16-35 (1) any assumptions and methods recommended by the
 16-36 municipal actuary that differ from the assumptions and methods
 16-37 recommended by the fund actuary; and

16-38 (2) the municipal actuary's rationale for each method
 16-39 or assumption the actuary recommends and determines to be
 16-40 consistent with standards adopted by the Actuarial Standards Board.

16-41 (g) Not later than the 30th day after the date the fund
 16-42 actuary receives the municipal actuary's written recommended
 16-43 assumptions and methods and rationale under Subsection (f) of this
 16-44 section, the fund shall provide a written response to the municipal
 16-45 actuary identifying any assumption or method recommended by the
 16-46 municipal actuary that the fund does not accept. If any assumption
 16-47 or method is not accepted, the fund shall recommend to the
 16-48 municipality the names of three independent actuaries for purposes
 16-49 of this section.

16-50 (h) An actuary may only be recommended, selected, or engaged
 16-51 by the fund as an independent actuary under this section if the
 16-52 person:

16-53 (1) is not already engaged by the municipality, the
 16-54 fund, or any other pension system authorized under Article 6243g-4,
 16-55 Revised Statutes, or Chapter 88 (H.B. 1573), Acts of the 77th
 16-56 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
 16-57 Civil Statutes), to provide actuarial services to the municipality,
 16-58 the fund, or another pension system;

16-59 (2) is a member of the American Academy of Actuaries;
 16-60 and

16-61 (3) has at least five years of experience as an actuary
 16-62 working with one or more public retirement systems with assets in
 16-63 excess of \$1 billion.

16-64 (i) Not later than the 20th day after the date the
 16-65 municipality receives the list of three independent actuaries under
 16-66 Subsection (g) of this section, the municipality shall identify and
 16-67 the fund shall hire one of the listed independent actuaries on terms
 16-68 acceptable to the municipality and the fund to perform a scope of
 16-69 work acceptable to the municipality and the fund. The municipality

17-1 and the fund each shall pay 50 percent of the cost of the
17-2 independent actuary engaged under this subsection. The
17-3 municipality shall be provided the opportunity to participate in
17-4 any communications between the independent actuary and the fund
17-5 concerning the engagement, engagement terms, or performance of the
17-6 terms of the engagement.

17-7 (j) The independent actuary engaged under Subsection (i) of
17-8 this section shall receive on request from the municipality or the
17-9 fund:

17-10 (1) the fund's draft actuarial experience study,
17-11 including all assumptions and methods recommended by the fund
17-12 actuary;

17-13 (2) summaries of the reconciled actuarial data used to
17-14 prepare the draft actuarial experience study;

17-15 (3) the municipal actuary's specific recommended
17-16 assumptions and methods together with the municipal actuary's
17-17 written rationale for each recommendation;

17-18 (4) the fund actuary's written rationale for its
17-19 recommendations; and

17-20 (5) if requested by the independent actuary and
17-21 subject to a confidentiality agreement in which the independent
17-22 actuary agrees to comply with the confidentiality provisions of
17-23 Section 17 of this article, additional confidential actuarial data.

17-24 (k) Not later than the 30th day after the date the
17-25 independent actuary receives all the requested information under
17-26 Subsection (j) of this section, the independent actuary shall
17-27 advise the fund and the municipality whether it agrees with the
17-28 assumption or method recommended by the municipal actuary or the
17-29 corresponding method or assumption recommended by the fund actuary,
17-30 together with the independent actuary's rationale for making the
17-31 determination. During the period prescribed by this subsection,
17-32 the independent actuary may discuss recommendations in
17-33 simultaneous consultation with the fund actuary and the municipal
17-34 actuary.

17-35 (l) The fund and the municipality may not seek any
17-36 information from any prospective independent actuary about
17-37 possible outcomes of the independent actuary's review.

17-38 (m) If an independent actuary has questions or concerns
17-39 regarding an engagement entered into under this section, the
17-40 independent actuary shall simultaneously consult with both the
17-41 municipal actuary and the fund actuary regarding the questions or
17-42 concerns. This subsection does not limit the fund's authorization
17-43 to take appropriate steps to complete the engagement of the
17-44 independent actuary on terms acceptable to both the fund and the
17-45 municipality or to enter into a confidentiality agreement with the
17-46 independent actuary, if needed.

17-47 (n) If the board does not adopt an assumption or method
17-48 recommended by the municipal or fund actuary and to which the
17-49 independent actuary agrees, the municipal actuary is authorized to
17-50 use that recommended assumption or method in connection with
17-51 preparation of a risk sharing valuation study under Section 13B of
17-52 this article until the next actuarial experience study is
17-53 conducted.

17-54 Sec. 13E. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED
17-55 MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT;
17-56 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs
17-57 the determination of the municipal contribution rate applicable in
17-58 a fiscal year if the estimated municipal contribution rate under a
17-59 risk sharing valuation study prepared under Section 13B or 13C of
17-60 this article, as applicable, is lower than the corridor midpoint.

17-61 (b) If the funded ratio is:

17-62 (1) less than 90 percent and the proposed municipal
17-63 contribution rate is equal to or greater than the minimum
17-64 contribution rate, the municipal contribution rate for the fiscal
17-65 year equals the corridor midpoint; or

17-66 (2) equal to or greater than 90 percent and the
17-67 municipal contribution rate is:

17-68 (A) equal to or greater than the minimum
17-69 contribution rate, the estimated municipal contribution rate is the

18-1 municipal contribution rate for the fiscal year; or
 18-2 (B) except as provided by Subsection (d) or (e)
 18-3 of this section, less than the minimum contribution rate for the
 18-4 corresponding fiscal year, the municipal contribution rate for the
 18-5 fiscal year equals the minimum contribution rate achieved in
 18-6 accordance with Subsection (c) of this section.

18-7 (c) For purposes of Subsection (b)(2)(B) of this section,
 18-8 the following adjustments shall be applied sequentially to the
 18-9 extent required to increase the estimated municipal contribution
 18-10 rate to equal the minimum contribution rate:

18-11 (1) first, adjust the actuarial value of assets equal
 18-12 to the current market value of assets, if making the adjustment
 18-13 causes the municipal contribution rate to increase;

18-14 (2) second, under a written agreement between the
 18-15 municipality and the board entered into not later than April 30
 18-16 before the first day of the next fiscal year, reduce the assumed
 18-17 rate of return;

18-18 (3) third, under a written agreement between the
 18-19 municipality and the board entered into not later than April 30
 18-20 before the first day of the next fiscal year, prospectively restore
 18-21 all or part of any benefit reductions or reduce increased employee
 18-22 contributions, in each case made after the year 2017 effective
 18-23 date; and

18-24 (4) fourth, accelerate the payoff year of the existing
 18-25 liability loss layers, including the legacy liability, by
 18-26 accelerating the oldest liability loss layers first, to an
 18-27 amortization period that is not less than 10 years from the first
 18-28 day of the fiscal year beginning 12 months after the date of the
 18-29 risk sharing valuation study in which the liability loss layer is
 18-30 first recognized.

18-31 (d) If the funded ratio is:

18-32 (1) equal to or greater than 100 percent:

18-33 (A) all existing liability layers, including the
 18-34 legacy liability, are considered fully amortized and paid;

18-35 (B) the applicable fiscal year is the payoff year
 18-36 for the legacy liability; and

18-37 (C) for each fiscal year subsequent to the fiscal
 18-38 year described by Paragraph (B) of this subdivision, the corridor
 18-39 midpoint shall be determined as provided by Section 13C(g) of this
 18-40 article; and

18-41 (2) greater than 100 percent in a written agreement
 18-42 between the municipality and the fund, the fund may reduce member
 18-43 contributions or increase pension benefits if, as a result of the
 18-44 action:

18-45 (A) the funded ratio is not less than 90 percent;

18-46 and

18-47 (B) the municipal contribution rate is not more
 18-48 than the minimum contribution rate.

18-49 (e) Except as provided by Subsection (f) of this section, if
 18-50 an agreement under Subsection (d) of this section is not reached on
 18-51 or before April 30 before the first day of the next fiscal year,
 18-52 before the first day of the next fiscal year the board shall reduce
 18-53 member contributions and implement or increase cost-of-living
 18-54 adjustments, but only to the extent that the municipal contribution
 18-55 rate is set at or below the minimum contribution rate and the funded
 18-56 ratio is not less than 90 percent.

18-57 (f) If any member contribution reduction or benefit
 18-58 increase has occurred within the previous three fiscal years, the
 18-59 board may not make additional adjustments to benefits, and the
 18-60 municipal contribution rate must be set to equal the minimum
 18-61 contribution rate.

18-62 Sec. 13F. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED
 18-63 MUNICIPAL CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR
 18-64 MIDPOINT; AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This
 18-65 section governs the determination of the municipal contribution
 18-66 rate in a fiscal year when the estimated municipal contribution
 18-67 rate under a risk sharing valuation study prepared under Section
 18-68 13B or 13C of this article, as applicable, is equal to or greater
 18-69 than the corridor midpoint.

19-1 (b) If the estimated municipal contribution rate is:

19-2 (1) less than or equal to the maximum contribution
 19-3 rate for the corresponding fiscal year, the estimated municipal
 19-4 contribution rate is the municipal contribution rate; or

19-5 (2) except as provided by Subsection (d) or (f) of this
 19-6 section, greater than the maximum contribution rate for the
 19-7 corresponding fiscal year, the municipal contribution rate equals
 19-8 the corridor midpoint achieved in accordance with Subsection (c) of
 19-9 this section.

19-10 (c) For purposes of Subsection (b)(2) of this section, the
 19-11 following adjustments shall be applied sequentially to the extent
 19-12 required to decrease the estimated municipal contribution rate to
 19-13 equal the corridor midpoint:

19-14 (1) first, if the payoff year of the legacy liability
 19-15 was accelerated under Section 13E(c) of this article, extend the
 19-16 payoff year of existing liability loss layers, by extending the
 19-17 most recent loss layers first, to a payoff year not later than 30
 19-18 years from the first day of the fiscal year beginning 12 months
 19-19 after the date of the risk sharing valuation study in which the
 19-20 liability loss layer is first recognized; and

19-21 (2) second, adjust the actuarial value of assets to
 19-22 the current market value of assets, if making the adjustment causes
 19-23 the municipal contribution rate to decrease.

19-24 (d) If the municipal contribution rate after adjustment
 19-25 under Subsection (c) of this section is greater than the third
 19-26 quarter line rate:

19-27 (1) the municipal contribution rate equals the third
 19-28 quarter line rate; and

19-29 (2) to the extent necessary to comply with Subdivision
 19-30 (1) of this subsection, the municipality and the board shall enter
 19-31 into a written agreement to increase member contributions and make
 19-32 other benefit or plan changes not otherwise prohibited by
 19-33 applicable federal law or regulations.

19-34 (e) Gains resulting from adjustments made as the result of a
 19-35 written agreement between the municipality and the board under
 19-36 Subsection (d)(2) of this section must be applied to the municipal
 19-37 contribution rate and not to the legacy liability.

19-38 (f) If an agreement under Subsection (d)(2) of this section
 19-39 is not reached on or before April 30 before the first day of the next
 19-40 fiscal year, before the start of the next fiscal year to which the
 19-41 municipal contribution rate would apply, the board, to the extent
 19-42 necessary to set the municipal contribution rate equal to the third
 19-43 quarter line rate, shall:

19-44 (1) increase member contributions and decrease
 19-45 cost-of-living adjustments;

19-46 (2) increase the normal retirement age; or

19-47 (3) take all actions authorized under Subdivisions (1)
 19-48 and (2) of this subsection.

19-49 (g) If the municipal contribution rate remains greater than
 19-50 the corridor midpoint in the third fiscal year after adjustments
 19-51 are made in accordance with Subsection (d)(2) of this section, in
 19-52 that fiscal year the municipal contribution rate equals the
 19-53 corridor midpoint achieved in accordance with Subsection (h) of
 19-54 this section.

19-55 (h) The municipal contribution rate must be set at the
 19-56 corridor midpoint under Subsection (g) of this section by:

19-57 (1) in the risk sharing valuation study for the third
 19-58 fiscal year described by Subsection (g) of this section, adjusting
 19-59 the actuarial value of assets to equal the current market value of
 19-60 assets, if making the adjustment causes the municipal contribution
 19-61 rate to decrease; and

19-62 (2) under a written agreement entered into between the
 19-63 municipality and the board:

19-64 (A) increasing member contributions; and

19-65 (B) making any other benefit or plan changes not
 19-66 otherwise prohibited by applicable federal law or regulations.

19-67 (i) If an agreement under Subsection (h)(2) of this section
 19-68 is not reached on or before April 30 before the first day of the next
 19-69 fiscal year, before the start of the next fiscal year, the board, to

20-1 the extent necessary to set the municipal contribution rate equal
 20-2 to the corridor midpoint, shall:

20-3 (1) increase member contributions and decrease
 20-4 cost-of-living adjustments;

20-5 (2) increase the normal retirement age; or

20-6 (3) take all actions authorized under Subdivisions (1)
 20-7 and (2) of this subsection.

20-8 Sec. 13G. INTERPRETATION OF CERTAIN RISK SHARING
 20-9 PROVISIONS; UNILATERAL ACTION PROHIBITED. (a) Nothing in this
 20-10 article, including Section 2(p) or (p-1) of this article and any
 20-11 authority of the board to construe and interpret this article, to
 20-12 determine any fact, to take any action, or to interpret any terms
 20-13 used in Sections 13A through 13F of this article, may alter or
 20-14 change Sections 13A through 13F of this article.

20-15 (b) No unilateral decision or action by the board is binding
 20-16 on the municipality and no unilateral action by the municipality is
 20-17 binding on the fund with respect to the application of Sections 13A
 20-18 through 13F of this article unless expressly provided by a
 20-19 provision of those sections. Nothing in this subsection is
 20-20 intended to limit the powers or authority of the board.

20-21 (c) Section 10 of this article does not apply to a benefit
 20-22 increase under Section 13E of this article, and Section 10 of this
 20-23 article is suspended while Sections 13A through 13F of this article
 20-24 are in effect.

20-25 SECTION 1.15. Section 17, Article 6243e.2(1), Revised
 20-26 Statutes, is amended by adding Subsections (f), (g), (h), (i), and
 20-27 (j) to read as follows:

20-28 (f) To carry out the provisions of Sections 13A through 13F
 20-29 of this article, the board and the fund must provide the municipal
 20-30 actuary under a confidentiality agreement the actuarial data used
 20-31 by the fund actuary for the fund's actuarial valuations or
 20-32 valuation studies and other data as agreed to between the
 20-33 municipality and the fund that the municipal actuary determines is
 20-34 reasonably necessary for the municipal actuary to perform the
 20-35 studies required by Sections 13A through 13F of this article.
 20-36 Actuarial data described by this subsection does not include
 20-37 information described by Subsection (a) of this section.

20-38 (g) A risk sharing valuation study prepared by either the
 20-39 municipal actuary or the fund actuary under Sections 13A through
 20-40 13F of this article may not:

20-41 (1) include information described by Subsection (a) of
 20-42 this section; or

20-43 (2) provide confidential or private information
 20-44 regarding specific individuals or be grouped in a manner that
 20-45 allows confidential or private information regarding a specific
 20-46 individual to be discerned.

20-47 (h) The information, data, and document exchanges under
 20-48 Sections 13A through 13F of this article have all the protections
 20-49 afforded by applicable law and are expressly exempt from the
 20-50 disclosure requirements under Chapter 552, Government Code, except
 20-51 as may be agreed to by the municipality and fund in a written
 20-52 agreement.

20-53 (i) Subsection (h) of this section does not apply to final
 20-54 risk sharing valuation studies prepared under Section 13B or 13C of
 20-55 this article.

20-56 (j) Before a union contract is approved by the municipality,
 20-57 the mayor of the municipality shall cause the municipal actuaries
 20-58 to deliver to the mayor a report estimating the impact of the
 20-59 proposed union contract on fund costs.

20-60 SECTION 1.16. Sections 13(d) and (e), Article 6243e.2(1),
 20-61 Revised Statutes, are repealed.

20-62 SECTION 1.17. Notwithstanding Section 1(1-e), Article
 20-63 6243e.2(1), Revised Statutes, as added by this Act, the assumed
 20-64 rate of return for the fiscal year ending June 30, 2018, is seven
 20-65 percent per year for purposes of Article 6243e.2(1), Revised
 20-66 Statutes.

20-67 SECTION 1.18. The firefighters' relief and retirement fund
 20-68 established under Article 6243e.2(1), Revised Statutes, shall
 20-69 require the fund actuary to prepare the first actuarial experience

21-1 study required under Section 13D, Article 6243e.2(1), Revised
21-2 Statutes, as added by this Act, not later than September 30, 2020.

21-3 ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

21-4 SECTION 2.01. Section 1, Article 6243g-4, Revised Statutes,
21-5 is amended to read as follows:

21-6 Sec. 1. PURPOSE. The purpose of this article is to restate
21-7 and amend the provisions of former law creating and governing a
21-8 police officers pension system in each city in this state having a
21-9 population of two [1.5] million or more, according to the most
21-10 recent federal decennial census, and to reflect changes agreed to
21-11 by the city and the board of trustees of the pension system under
21-12 Section 27 of this article. The pension system shall continue to
21-13 operate regardless of whether the city's population falls below two
21-14 [1.5] million.

21-15 SECTION 2.02. Article 6243g-4, Revised Statutes, is amended
21-16 by adding Section 1A to read as follows:

21-17 Sec. 1A. INTERPRETATION OF ARTICLE. This article does not
21-18 and may not be interpreted to:

21-19 (1) relieve the city, the board, or the pension system
21-20 of their respective obligations under Sections 9 through 9E of this
21-21 article or under any agreement between the city and the board under
21-22 Section 27 of this article;

21-23 (2) reduce or modify the rights of the city, the board,
21-24 or the pension system, including any officer or employee of the
21-25 city, board, or pension system, to enforce obligations described by
21-26 Subdivision (1) of this section;

21-27 (3) relieve the city, including any official or
21-28 employee of the city, from:

21-29 (A) paying or directing to pay required
21-30 contributions to the pension system under Section 8 or 9 of this
21-31 article or taking other steps required by Sections 9D and 9E of this
21-32 article or under any agreement between the city and the board; or

21-33 (B) reducing or modifying the rights of the board
21-34 and any officer or employee of the board or pension system to
21-35 enforce obligations described by Subdivision (1) of this section;

21-36 (4) relieve the pension system or board, including any
21-37 officer or employee of the pension system or board, from any
21-38 obligation to implement a benefit change or take other steps
21-39 required by Section 9D or 9E of this article or under any agreement
21-40 between the city and the board under Section 27 of this article; or

21-41 (5) reduce or modify the rights of the city and any
21-42 officer or employee of the city to enforce an obligation described
21-43 by Subdivision (4) of this section.

21-44 SECTION 2.03. Section 2, Article 6243g-4, Revised Statutes,
21-45 is amended by amending Subdivisions (1), (2), (3), (4-a), (11),
21-46 (13), (14-a), (17), (17-a), and (22) and adding Subdivisions (1-a),
21-47 (1-b), (1-c), (4-b), (4-c), (4-d), (5-a), (5-b), (5-c), (10-a),
21-48 (10-b), (10-c), (10-d), (12-a), (13-a), (13-b), (13-c), (13-d),
21-49 (13-e), (13-f), (14-b), (14-c), (15-a), (15-b), (16-a), (16-b),
21-50 (17-b), (17-c), (17-d), (17-e), (24), (25), (26), (27), (28), and
21-51 (29) to read as follows:

21-52 (1) "Active member" means an employee of the city
21-53 within [a person employed as a classified police officer by] the
21-54 police department of a city subject to this article, in a classified
21-55 or appointed position, except for a person in an appointed position
21-56 who opts out of the plan, a person who is a part-time, seasonal, or
21-57 temporary employee, or a person who elected to remain a member of a
21-58 pension system described by Chapter 88, Acts of the 77th
21-59 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
21-60 Civil Statutes). The term does not include a person who is a member
21-61 of another pension system of the same city, except to the extent
21-62 provided by Section [15(j) or] 18 of this article.

21-63 (1-a) "Actuarial data" includes:

21-64 (A) the census data, assumption tables,
21-65 disclosure of methods, and financial information that are routinely
21-66 used by the pension system actuary to prepare an actuarial
21-67 valuation or an actuarial experience study under Section 9C of this
21-68 article; and

21-69 (B) any other data that is reasonably necessary

22-1 to prepare a risk sharing valuation study under Section 9A or 9B of
22-2 this article.

22-3 (1-b) "Actuarial experience study" has the meaning
22-4 assigned by Section 802.1014, Government Code.

22-5 (1-c) "Amortization period" means the time period
22-6 necessary to fully pay a liability layer.

22-7 (2) "Amortization rate" means the sum of the scheduled
22-8 amortization payments for a given fiscal year for the current
22-9 liability layers divided by the projected pensionable payroll for
22-10 that fiscal year. [~~"Average total direct pay" means an amount~~
22-11 ~~determined by dividing the following sum by 12:~~
22-12 [~~(A) the highest biweekly pay received by a~~
22-13 ~~member for any single pay period in the last 26 pay periods in which~~
22-14 ~~the member worked full-time, considering only items of total direct~~
22-15 ~~pay that are included in each paycheck, multiplied by 26; plus~~
22-16 ~~(B) the total direct pay, excluding all items of~~
22-17 ~~the type included in Paragraph (A) received during the same last 26~~
22-18 ~~biweekly pay periods.]~~

22-19 (3) "Assumed rate of return" means the assumed market
22-20 rate of return on pension system assets [~~"Base salary" means the~~
22-21 ~~monthly base pay provided for the classified position in the police~~
22-22 ~~department held by the member].~~

22-23 (4-a) "Catastrophic injury" means a sudden, violent,
22-24 life-threatening, duty-related injury sustained by an active
22-25 member that is due to an externally caused motor vehicle accident,
22-26 gunshot wound, aggravated assault, or other external event or
22-27 events and results, as supported by evidence, in one of the
22-28 following conditions:

22-29 (A) total, complete, and permanent loss of sight
22-30 in one or both eyes;

22-31 (B) total, complete, and permanent loss of the
22-32 use of one or both feet at or above the ankle;

22-33 (C) total, complete, and permanent loss of the
22-34 use of one or both hands at or above the wrist;

22-35 (D) injury to the spine that results in a total,
22-36 permanent, and complete paralysis of both arms, both legs, or one
22-37 arm and one leg; or

22-38 (E) an externally caused physical traumatic
22-39 injury to the brain rendering the member physically or mentally
22-40 unable to perform the member's duties as a police officer.

22-41 (4-b) "City" means a city subject to this article.

22-42 (4-c) "City contribution rate" means, for a fiscal
22-43 year, the rate at which a city makes contributions to the pension
22-44 system under Section 9(a)(1) of this article.

22-45 (4-d) "Classified" means any person classified by the
22-46 city as a police officer.

22-47 (5-a) "Corridor" means the range of city contribution
22-48 rates that are:

22-49 (A) equal to or greater than the minimum
22-50 contribution rate; and

22-51 (B) equal to or less than the maximum
22-52 contribution rate.

22-53 (5-b) "Corridor margin" means five percentage points.

22-54 (5-c) "Corridor midpoint" means the projected city
22-55 contribution rate specified for each fiscal year for 31 years in the
22-56 initial risk sharing valuation study under Section 9B of this
22-57 article, as may be adjusted under Section 9D or 9E of this article,
22-58 and in each case rounded to the nearest hundredths decimal place.

22-59 (10-a) "Employer normal cost rate" means the normal
22-60 cost rate minus the member contribution rate.

22-61 (10-b) "Estimated city contribution rate" means the
22-62 city contribution rate determined in a risk sharing valuation study
22-63 under Section 9A or 9B of this article in accordance with Section
22-64 9A(a)(3) of this article.

22-65 (10-c) "Fiscal year," except as provided by Section 2A
22-66 of this article, means a fiscal year beginning July 1 and ending
22-67 June 30.

22-68 (10-d) "Final average pay" means the pay received by a
22-69 member over the last 78 biweekly pay periods ending before the

23-1 earlier of:
 23-2 (A) the date the member terminates employment
 23-3 with the police department, divided by 36; or
 23-4 (B) the date the member began participation in
 23-5 DROP, divided by 36.
 23-6 (11) "Former member" means a person who was once an
 23-7 active member, eligible for benefits [~~vested~~] or not, but who
 23-8 terminated active member status and received a refund of member
 23-9 contributions.
 23-10 (12-a) "Funded ratio" means the ratio of the pension
 23-11 system's actuarial value of assets divided by the pension system's
 23-12 actuarial accrued liability.
 23-13 (13) "Inactive member" means a person who has
 23-14 separated from service and is eligible to receive [~~has a vested~~
 23-15 ~~right to~~] a service pension from the pension system but is not
 23-16 eligible for an immediate service pension. The term does not
 23-17 include a former member.
 23-18 (13-a) "Legacy liability" means unfunded actuarial
 23-19 accrued liability as of June 30, 2016, as reduced to reflect:
 23-20 (A) changes to benefits and contributions under
 23-21 this article as of the year 2017 effective date;
 23-22 (B) the deposit of pension obligation bond
 23-23 proceeds after December 30, 2017, and before December 31, 2017;
 23-24 (C) payments by the city and earnings at the
 23-25 assumed rate of return allocated to the legacy liability for the
 23-26 period between July 1, 2016, and July 1, 2017; and
 23-27 (D) in each subsequent fiscal year,
 23-28 contributions for that year allocated to the amortization of the
 23-29 legacy liability and adjusted by the assumed rate of return.
 23-30 (13-b) "Level percent of payroll method" means the
 23-31 amortization method that defines the amount of the liability layer
 23-32 recognized each fiscal year as a level percent of pensionable
 23-33 payroll until the amount of the liability layer remaining is
 23-34 reduced to zero.
 23-35 (13-c) "Liability gain layer" means a liability layer
 23-36 that decreases the unfunded actuarial accrued liability.
 23-37 (13-d) "Liability layer" means the unanticipated
 23-38 change as established in each risk sharing valuation study prepared
 23-39 under Section 9A or 9B of this article, as applicable.
 23-40 (13-e) "Liability loss layer" means a liability layer
 23-41 that increases the unfunded actuarial accrued liability. For
 23-42 purposes of this article, the legacy liability is a liability loss
 23-43 layer.
 23-44 (13-f) "Maximum contribution rate" means the rate
 23-45 equal to the corridor midpoint plus the corridor margin.
 23-46 (14-a) "Minimum contribution rate" means the rate
 23-47 equal to the corridor midpoint minus the corridor margin.
 23-48 (14-b) "Normal cost rate" means the salary weighted
 23-49 average of the individual normal cost rates determined for the
 23-50 current active population plus an allowance for projected
 23-51 administrative expenses. The allowance for projected
 23-52 administrative expenses equals the administrative expenses divided
 23-53 by the pensionable payroll for the previous fiscal year, provided
 23-54 the administrative allowance may not exceed one percent of
 23-55 pensionable payroll for the current fiscal year unless agreed to by
 23-56 the city.
 23-57 (14-c) "Normal retirement age" means:
 23-58 (A) for a member hired before October 9, 2004,
 23-59 including a member hired before October 9, 2004, who involuntarily
 23-60 separated from service but was retroactively reinstated under an
 23-61 arbitration, civil service, or court ruling after October 9, 2004,
 23-62 the earlier of:
 23-63 (i) [~~(A)~~] the age at which the member
 23-64 attains 20 years of service; or
 23-65 (ii) [~~(B)~~] the age at which the member
 23-66 first attains both the age of at least 60 and at least 10 years of
 23-67 service; or
 23-68 (B) except as provided by Paragraph (A) of this
 23-69 subdivision, for a member hired or rehired on or after October 9,

24-1 2004, the age at which the sum of the member's age in years and years
24-2 of service equals at least 70.

24-3 (15-a) "Pay," unless the context requires otherwise,
24-4 means wages as defined by Section 3401(a) of the code, plus any
24-5 amounts that are not included in gross income by reason of Sections
24-6 104(a)(1), 125, 132(f), 402(g)(2), 457, or 414(h)(2) of the code,
24-7 less any pay received for overtime work, exempt time pay, strategic
24-8 officer staffing program pay, motorcycle allowance, clothing
24-9 allowance, or mentor pay. The definition of "pay" for purposes of
24-10 this article may only be amended by written agreement of the board
24-11 and the city under Section 27 of this article.

24-12 (15-b) "Payoff year" means the year a liability layer
24-13 is fully amortized under the amortization period. A payoff year may
24-14 not be extended or accelerated for a period that is less than one
24-15 month.

24-16 (16-a) "Pension obligation bond" means a bond issued
24-17 in accordance with Chapter 107, Local Government Code.

24-18 (16-b) "Pensionable payroll" means the combined
24-19 salaries paid to all members during an applicable fiscal year.

24-20 (17) "Pension system" or "system," unless the context
24-21 requires otherwise, means the retirement and disability plan for
24-22 employees of any police department subject to this article.

24-23 (17-a) "Police department" means one or more law
24-24 enforcement agencies designated as a police department by a city.

24-25 (17-b) "Price inflation assumption" means:
24-26 (A) the most recent headline consumer price index
24-27 10-year forecast published in the Federal Reserve Bank of
24-28 Philadelphia Survey of Professional Forecasters; or
24-29 (B) if the forecast described by Paragraph (A) of
24-30 this subdivision is not available, another standard as determined
24-31 by mutual agreement between the city and the board entered into
24-32 under Section 27 of this article.

24-33 (17-c) "Projected pensionable payroll" means the
24-34 estimated pensionable payroll for the fiscal year beginning 12
24-35 months after the date of the risk sharing valuation study prepared
24-36 under Section 9A or 9B of this article, as applicable, at the time
24-37 of calculation by:
24-38 (A) projecting the prior fiscal year's
24-39 pensionable payroll projected forward two years by using the
24-40 current payroll growth rate assumptions; and
24-41 (B) adjusting, if necessary, for changes in
24-42 population or other known factors, provided those factors would
24-43 have a material impact on the calculation, as determined by the
24-44 board.

24-45 (17-d) "Retired member" means a member who has
24-46 separated from service and who is eligible to receive an immediate
24-47 service or disability pension under this article.

24-48 (17-e) "Salary" means pay provided for the classified
24-49 position in the police department held by the member.

24-50 (22) "Surviving spouse" means a person who was married
24-51 to an active, inactive, or retired member at the time of the
24-52 member's death and, in the case of a marriage or remarriage after
24-53 the member's retirement, ~~[an inactive or retired member, before the~~
24-54 ~~member's separation from service or]~~ for a period of at least five
24-55 consecutive years ~~[before the retired or inactive member's death]~~.

24-56 (24) "Third quarter line rate" means the corridor
24-57 midpoint plus 2.5 percentage points.

24-58 (25) "Trustee" means a member of the board.

24-59 (26) "Ultimate entry age normal" means an actuarial
24-60 cost method under which a calculation is made to determine the
24-61 average uniform and constant percentage rate of contributions that,
24-62 if applied to the compensation of each member during the entire
24-63 period of the member's anticipated covered service, would be
24-64 required to meet the cost of all benefits payable on the member's
24-65 behalf based on the benefits provisions for newly hired employees.
24-66 For purposes of this definition, the actuarial accrued liability
24-67 for each member is the difference between the member's present
24-68 value of future benefits based on the tier of benefits that apply to
24-69 the member and the member's present value of future normal costs

25-1 determined using the normal cost rate.
25-2 (27) "Unfunded actuarial accrued liability" means the
25-3 difference between the actuarial accrued liability and the
25-4 actuarial value of assets. For purposes of this definition:

25-5 (A) "actuarial accrued liability" means the
25-6 portion of the actuarial present value of projected benefits
25-7 attributed to past periods of member service based on the cost
25-8 method used in the risk sharing valuation study prepared under
25-9 Section 9A or 9B of this article, as applicable; and

25-10 (B) "actuarial value of assets" means the value
25-11 of pension system investments as calculated using the asset
25-12 smoothing method used in the risk sharing valuation study prepared
25-13 under Section 9A or 9B of this article, as applicable.

25-14 (28) "Unanticipated change" means, with respect to the
25-15 unfunded actuarial accrued liability in each risk sharing valuation
25-16 study prepared under Section 9A or 9B of this article, as
25-17 applicable, the difference between:

25-18 (A) the remaining balance of all then-existing
25-19 liability layers as of the date of the risk sharing valuation study;
25-20 and

25-21 (B) the actual unfunded actuarial accrued
25-22 liability as of the date of the risk sharing valuation study.

25-23 (29) "Year 2017 effective date" means the date on
25-24 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
25-25 2017, took effect.

25-26 SECTION 2.04. Article 6243g-4, Revised Statutes, is amended
25-27 by adding Section 2A to read as follows:

25-28 Sec. 2A. FISCAL YEAR. The pension system or the city, or
25-29 both, may only change their respective fiscal years by entering
25-30 into a written agreement under Section 27 of this article to change
25-31 their respective fiscal years. If the pension system and city enter
25-32 into an agreement described by this section, the parties shall, in
25-33 the agreement, adjust the provisions of Sections 9 through 9E of
25-34 this article to reflect that change.

25-35 SECTION 2.05. Section 3(b), Article 6243g-4, Revised
25-36 Statutes, is amended to read as follows:

25-37 (b) The board is composed of seven members as follows:
25-38 (1) the administrative head of the city or the
25-39 administrative head's authorized representative;

25-40 (2) three employees of the police department having
25-41 membership in the pension system, elected by the active, inactive,
25-42 and retired members of the pension system;

25-43 (3) two retired members who are receiving pensions
25-44 from the system and are not officers or employees of the city,
25-45 elected by the active, inactive, and retired members of the pension
25-46 system; and

25-47 (4) the director of finance [~~treasurer~~] of the city or
25-48 the person discharging the duties of the director of finance, or the
25-49 director's or other person's designee [~~city treasurer~~].

25-50 SECTION 2.06. Section 3, Article 6243g-4, Revised Statutes,
25-51 is amended by adding Subsections (i) and (j) to read as follows:

25-52 (i) If a candidate for either an active or retired board
25-53 member position does not receive a majority vote for that position,
25-54 a runoff election for that position shall be held. The board shall
25-55 establish a policy for general and runoff elections for purposes of
25-56 this subsection.

25-57 (j) The terms of office for board members in the phase-down
25-58 program A or B shall be one year. A board member who subsequently
25-59 enters phase-down program A or B and has served at least one year of
25-60 the member's current term shall vacate the member's seat and may run
25-61 for reelection.

25-62 SECTION 2.07. Section 4, Article 6243g-4, Revised Statutes,
25-63 is amended to read as follows:

25-64 Sec. 4. BOARD MEMBER LEAVE AND COMPENSATION. (a) The city
25-65 shall allow active members who are trustees to promptly attend all
25-66 pension board and committee meetings. The city shall allow
25-67 trustees the time required to travel to and attend educational
25-68 workshops and legislative hearings and to attend to other pension
25-69 system business, including meetings regarding proposed amendments

26-1 to this article, if attendance is consistent with a trustee's duty
 26-2 to the pension board [~~Elected members of the board who are employees~~
 26-3 ~~of the city's police department are entitled to leave from their~~
 26-4 ~~employer to attend to the official business of the pension system~~
 26-5 ~~and are not required to report to the city or any other governmental~~
 26-6 ~~entity regarding travel or the official business of the pension~~
 26-7 ~~system, except when on city business].~~

26-8 (b) [~~If the city employing an elected board member would~~
 26-9 ~~withhold any portion of the salary of the member who is attending to~~
 26-10 ~~official business of the pension system, the pension system may~~
 26-11 ~~elect to adequately compensate the city for the loss of service of~~
 26-12 ~~the member. If the board, by an affirmative vote of at least four~~
 26-13 ~~board members, makes this election, the amounts shall be remitted~~
 26-14 ~~from the fund to the city, and the city shall pay the board member's~~
 26-15 ~~salary as if no loss of service had occurred.~~

26-16 [~~e~~] The board, by an affirmative vote of at least four board
 26-17 members, may elect to reimburse board members who are not employees
 26-18 of the city for their time while attending to official business of
 26-19 the pension system. The amount of any reimbursement may not exceed
 26-20 \$750 [~~\$350~~] a month for each affected board member.

26-21 SECTION 2.08. Article 6243g-4, Revised Statutes, is amended
 26-22 by adding Sections 5A and 5B to read as follows:

26-23 Sec. 5A. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary
 26-24 hired by the city for purposes of this article must be an actuary
 26-25 from a professional service firm who:

26-26 (1) is not already engaged by the pension system or any
 26-27 other fund or pension system authorized under Article 6243e.2(1),
 26-28 Revised Statutes, or Chapter 88 (H.B. 1573), Acts of the 77th
 26-29 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
 26-30 Civil Statutes), to provide actuarial services to the pension
 26-31 system or other fund or pension system, as applicable;

26-32 (2) has a minimum of 10 years of professional
 26-33 actuarial experience; and

26-34 (3) is a member of the American Academy of Actuaries or
 26-35 a fellow of the Society of Actuaries and meets the applicable
 26-36 requirements to issue statements of actuarial opinion.

26-37 (b) Notwithstanding Subsection (a) of this section, the
 26-38 city actuary does not need to meet any greater qualifications than
 26-39 those required of the pension system actuary.

26-40 Sec. 5B. LIABILITY OF CERTAIN PERSONS. (a) The trustees,
 26-41 executive director, and employees of the pension system are fully
 26-42 protected from and free of liability for any action taken or
 26-43 suffered by them in connection with the provisions of this article
 26-44 that were performed in good faith and in reliance on an actuary,
 26-45 accountant, counsel, or other professional service provider, or in
 26-46 reliance on records provided by the city.

26-47 (b) The officers and employees of the city are fully
 26-48 protected and free of liability for any action taken or suffered by
 26-49 the officer or employee, as applicable, in good faith and on
 26-50 reliance on an actuary, accountant, counsel, or other professional
 26-51 service provider.

26-52 (c) The protection from liability provided by this section
 26-53 is cumulative of and in addition to any other constitutional,
 26-54 statutory, or common law official or governmental immunity,
 26-55 defense, and civil or procedural protection provided to the city or
 26-56 pension system as a governmental entity and to a city or pension
 26-57 system official or employee as an official or employee of a
 26-58 governmental entity. Except for a waiver expressly provided by
 26-59 this article, this article does not grant an implied waiver of any
 26-60 immunity.

26-61 SECTION 2.09. Section 6, Article 6243g-4, Revised Statutes,
 26-62 is amended by amending Subsections (f) and (g) and adding
 26-63 Subsections (f-1), (i), and (j) to read as follows:

26-64 (f) The board has full discretion and authority to:

26-65 (1) administer the pension system;

26-66 (2) [~~r~~, ~~e~~] construe and interpret this article and any
 26-67 summary plan descriptions or benefits procedures;

26-68 (3) subject to Section 9F of this article, correct any
 26-69 defect, supply any omission, and reconcile any inconsistency that

27-1 appears in this article; ~~[7]~~ and
 27-2 (4) take ~~to do~~ all other acts necessary to carry out
 27-3 the purpose of this article in a manner and to the extent that the
 27-4 board considers expedient to administer this article for the
 27-5 greatest benefit of all members.

27-6 (f-1) Except as provided by Section 9F of this article, all
 27-7 [All] decisions of the board under Subsection (f) of this section
 27-8 are final and binding on all affected parties.

27-9 (g) The board, if reasonably necessary in the course of
 27-10 performing a board function, may issue process or subpoena a
 27-11 witness or the production of a book, record, or other document as to
 27-12 any matter affecting retirement, disability, or death benefits
 27-13 under any pension plan provided by the pension system. The
 27-14 presiding officer of the board may issue, in the name of the board,
 27-15 a subpoena only if a majority of the board approves. The presiding
 27-16 officer of the board, or the presiding officer's designee, shall
 27-17 administer an oath to each witness. A peace officer shall serve a
 27-18 subpoena issued by the board. If the person to whom a subpoena is
 27-19 directed fails to comply, the board may bring suit to enforce the
 27-20 subpoena in a district court of the county in which the person
 27-21 resides or in the county in which the book, record, or other
 27-22 document is located. If the district court finds that good cause
 27-23 exists for issuance of the subpoena, the court shall order
 27-24 compliance. The district court may modify the requirements of a
 27-25 subpoena that the court finds are unreasonable. Failure to obey the
 27-26 order of the district court is punishable as contempt.

27-27 (i) If the board or its designee determines that any person
 27-28 to whom a payment under this article is due is a minor or is unable
 27-29 to care for the person's affairs because of a physical or mental
 27-30 disability, and if the board or its designee, as applicable,
 27-31 determines the person does not have a guardian or other legal
 27-32 representative and that the estate of the person is insufficient to
 27-33 justify the expense of establishing a guardianship, or continuing a
 27-34 guardianship after letters of guardianship have expired, then until
 27-35 current letters of guardianship are filed with the pension system,
 27-36 the board or its designee, as applicable, may make the payment:

27-37 (1) to the spouse of the person, as trustee for the
 27-38 person;

27-39 (2) to an individual or entity actually providing for
 27-40 the needs of and caring for the person, as trustee for the person;
 27-41 or

27-42 (3) to a public agency or private charitable
 27-43 organization providing assistance or services to the aged or
 27-44 incapacitated that agrees to accept and manage the payment for the
 27-45 benefit of the person as a trustee.

27-46 (j) The board or its designee is not responsible for
 27-47 overseeing how a person to whom payment is made under Subsection (i)
 27-48 of this section uses or otherwise applies the payments. Payments
 27-49 made under Subsection (i) of this section constitute a complete
 27-50 discharge of the pension system's liability and obligation to the
 27-51 person on behalf of whom payment is made.

27-52 SECTION 2.10. Section 8(a), Article 6243g-4, Revised
 27-53 Statutes, is amended to read as follows:

27-54 (a) Subject to adjustments authorized by Section 9D or 9E of
 27-55 this article, each ~~Each~~ active member of the pension system shall
 27-56 pay into the system each month 10.5 ~~8-3/4~~ percent of the member's
 27-57 ~~total direct~~ pay. The payments shall be deducted by the city from
 27-58 the salary of each active member each payroll period and paid to the
 27-59 pension system. Except for the repayment of withdrawn
 27-60 contributions under Section 17(f) ~~or 18(c)(3)~~ of this article and
 27-61 rollovers permitted by Section 17(h) of this article, a person may
 27-62 not be required or permitted to make any payments into the pension
 27-63 system after the person separates from service.

27-64 SECTION 2.11. Section 9, Article 6243g-4, Revised Statutes,
 27-65 is amended to read as follows:

27-66 Sec. 9. CONTRIBUTIONS BY THE CITY. (a) Beginning with the
 27-67 year 2017 effective date, the city shall make contributions to the
 27-68 pension system for deposit into the fund as provided by this section
 27-69 and Section 9B, 9D, or 9E of this article, as applicable. The city

28-1 shall contribute:

28-2 (1) except by written agreement between the city and
 28-3 the board under Section 27 of this article providing for an earlier
 28-4 contribution date, beginning with the year 2017 effective date and
 28-5 ending with the fiscal year ending June 30, 2018, an amount, as
 28-6 determined in the initial risk sharing valuation study conducted
 28-7 under Section 9B of this article, equal to the city contribution
 28-8 rate multiplied by the pensionable payroll for the fiscal year; and

28-9 (2) for each fiscal year after the fiscal year ending
 28-10 June 30, 2018, an amount, as determined in accordance with the
 28-11 subsequent risk sharing valuation study conducted under Section 9A
 28-12 of this article, equal to the city contribution rate multiplied by
 28-13 the pensionable payroll for the applicable fiscal year.

28-14 (b) At least biweekly, the city shall make the contributions
 28-15 required by Subsection (a) of this section by depositing with the
 28-16 pension system an amount equal to the city contribution rate
 28-17 multiplied by the pensionable payroll for the biweekly period.

28-18 (c) Subject to Section 9D or 9E of this article, the city
 28-19 contribution rate:

28-20 (1) except as provided by Subdivision (2) of this
 28-21 subsection, is a percent that equals the sum of the employer normal
 28-22 cost rate and the amortization rate for all liability layers; and

28-23 (2) may not exceed the maximum contribution rate or be
 28-24 less than the minimum contribution rate [The city shall make
 28-25 substantially equal contributions to the fund as soon as
 28-26 administratively feasible after each payroll period. For each
 28-27 fiscal year ending after June 30, 2005, the city's minimum
 28-28 contribution shall be the greater of 16 percent of the members'
 28-29 total direct pay or the level percentage of salary payment required
 28-30 to amortize the unfunded actuarial liability over a constant period
 28-31 of 30 years computed on the basis of an acceptable actuarial reserve
 28-32 funding method approved by the board. However, for the fiscal year
 28-33 ending June 30, 2002, the city's contribution shall be \$32,645,000,
 28-34 for the fiscal year ending June 30, 2003, the city's contribution
 28-35 shall be \$34,645,000, for the fiscal year ending June 30, 2004, the
 28-36 city's contribution shall be \$36,645,000, and for the fiscal year
 28-37 ending June 30, 2005, the city's contribution shall be 16 percent of
 28-38 the members' total direct pay].

28-39 (d) In addition to the amounts required under this section,
 28-40 the city may at any time contribute additional amounts to the
 28-41 pension system for deposit in the pension fund by entering into a
 28-42 written agreement with the board in accordance with Section 27 of
 28-43 this article.

28-44 (e) [(e)] The governing body of a city to which this article
 28-45 applies by ordinance or resolution may provide that the city pick up
 28-46 active member contributions required by Section 8 of this article
 28-47 so that the contributions of all active members of the pension
 28-48 system qualify as picked-up contributions under Section 414(h)(2)
 28-49 of the code. If the governing body of a city adopts an ordinance or
 28-50 resolution under this section, the city, the board, and any other
 28-51 necessary party shall implement the action as soon as practicable.
 28-52 Contributions picked up as provided by this subsection shall be
 28-53 included in the determination of an active member's [total direct]
 28-54 pay, deposited to the individual account of the active member on
 28-55 whose behalf they are made, and treated for all purposes, other than
 28-56 federal tax purposes, in the same manner and with like effect as if
 28-57 they had been deducted from the salary of, and made by, the active
 28-58 member.

28-59 (f) Contributions made under this section by the city to the
 28-60 pension system shall only be credited against any amortization
 28-61 schedule of payments due to the pension system under this article.

28-62 (g) Subsection (f) of this section does not affect changes
 28-63 to an amortization schedule of a liability layer under Section
 28-64 9A(a)(4)(F), 9B(i), or 9D(c)(4) of this article.

28-65 SECTION 2.12. Article 6243g-4, Revised Statutes, is amended
 28-66 by adding Sections 9A, 9B, 9C, 9D, 9E, and 9F to read as follows:

28-67 Sec. 9A. RISK SHARING VALUATION STUDIES. (a) The pension
 28-68 system and the city shall prepare a risk sharing valuation study in
 28-69 accordance with this section. A risk sharing valuation study must:

29-1 (1) be included in the pension system's standard
29-2 valuation study prepared annually by the pension system;
29-3 (2) calculate the unfunded actuarial accrued
29-4 liability of the pension system consistent with actuarial standards
29-5 of practice and based on actuarial data or estimates of actuarial
29-6 data provided by the pension system actuary;
29-7 (3) estimate the city contribution rate by making
29-8 adjustments to the calculation of the rate that do not require
29-9 agreement between the city and the board under Section 9D or 9E of
29-10 this article;
29-11 (4) subject to Subsection (g) of this section, be
29-12 based on assumptions and methods determined based on the most
29-13 recent actuarial experience study conducted under Section 9C of
29-14 this article, provided the following assumptions and methods are
29-15 used:

29-16 (A) an ultimate entry age normal actuarial
29-17 method;
29-18 (B) for purposes of determining the actuarial
29-19 value of assets:

29-20 (i) except as provided by Subparagraph (ii)
29-21 of this paragraph and Section 9D(c)(1) or 9E(c)(1) of this article,
29-22 an asset smoothing method recognizing actuarial losses and gains
29-23 over a five-year period applied prospectively beginning on the year
29-24 2017 effective date; and
29-25 (ii) for the initial risk sharing valuation
29-26 study prepared under Section 9B of this article, a marked-to-market
29-27 method applied as of June 30, 2016;
29-28 (C) closed layered amortization of liability
29-29 layers to ensure that the amortization period for each layer begins
29-30 12 months after the date of the risk sharing valuation study in
29-31 which the liability layer is first recognized;
29-32 (D) each liability layer is assigned an
29-33 amortization period;
29-34 (E) each liability loss layer amortized over a
29-35 period of 30 years from the first day of the fiscal year beginning
29-36 12 months after the date of the risk sharing valuation study in
29-37 which the liability loss layer is first recognized, except that the
29-38 legacy liability must be amortized from July 1, 2016, for a 30-year
29-39 period beginning July 1, 2017;
29-40 (F) the amortization period for each liability
29-41 gain layer being:

29-42 (i) equal to the remaining amortization
29-43 period on the largest remaining liability loss layer and the two
29-44 layers must be treated as one layer such that if the payoff year of
29-45 the liability loss layer is accelerated or extended, the payoff
29-46 year of the liability gain layer is also accelerated or extended; or
29-47 (ii) if there is no liability loss layer, a
29-48 period of 30 years from the first day of the fiscal year beginning
29-49 12 months after the date of the risk sharing valuation study in
29-50 which the liability gain layer is first recognized;
29-51 (G) liability layers, including the legacy
29-52 liability, funded according to the level percent of payroll method;
29-53 (H) the assumed rate of return, subject to
29-54 adjustment under Section 9D(c)(2) of this article or, if Section
29-55 9B(g) of this article applies, adjustment in accordance with a
29-56 written agreement entered into under Section 27 of this article;
29-57 (I) the price inflation assumption, which shall
29-58 be adjusted by plus or minus 50 basis points based on the most
29-59 recent actuarial experience study;
29-60 (J) projected salary increases and payroll
29-61 growth rate set in consultation with the city's finance director;
29-62 and
29-63 (K) payroll for purposes of determining the
29-64 corridor midpoint and city contribution rate must be projected
29-65 using the annual payroll growth rate assumption; and
29-66 (5) be revised and restated, if appropriate, not later
29-67 than the 30th day after the date of a written agreement between the
29-68 city and the board entered into under Section 27 of this article.
29-69 (b) As soon as practicable after the end of a fiscal year,

30-1 the pension system actuary at the direction of the pension system
30-2 and the city actuary at the direction of the city shall separately
30-3 prepare a proposed risk sharing valuation study based on the fiscal
30-4 year that just ended.

30-5 (c) Not later than September 30 following the end of the
30-6 fiscal year, the pension system shall provide to the city actuary,
30-7 under a confidentiality agreement in which the city actuary agrees
30-8 to comply with the confidentiality provisions of Section 29 of this
30-9 article, the actuarial data described by Subsection (a)(2) of this
30-10 section.

30-11 (d) Not later than the 150th day after the last day of the
30-12 fiscal year:

30-13 (1) the pension system actuary, at the direction of
30-14 the pension system, shall provide the proposed risk sharing
30-15 valuation study prepared by the pension system actuary under
30-16 Subsection (b) of this section to the city actuary; and

30-17 (2) the city actuary, at the direction of the city,
30-18 shall provide the proposed risk sharing valuation study prepared by
30-19 the city actuary under Subsection (b) of this section to the pension
30-20 system actuary.

30-21 (e) Each actuary described by Subsection (d) of this section
30-22 may provide copies of the proposed risk sharing valuation studies
30-23 to the city or to the pension system, as appropriate.

30-24 (f) If, after exchanging proposed risk sharing valuation
30-25 studies under Subsection (d) of this section, it is found that the
30-26 difference between the projected city contribution rate in the
30-27 proposed risk sharing valuation study prepared by the pension
30-28 system actuary and the projected city contribution rate in the risk
30-29 sharing valuation study prepared by the city actuary for the
30-30 corresponding fiscal year is:

30-31 (1) less than or equal to two percentage points, the
30-32 city contribution rate proposed by the pension system actuary will
30-33 be used, and the risk sharing valuation study prepared by the
30-34 pension system is considered to be the final risk sharing valuation
30-35 study for the fiscal year for the purposes of this article; or

30-36 (2) greater than two percentage points, the city
30-37 actuary and the pension system actuary shall have 20 business days
30-38 to reconcile the difference, provided that without the mutual
30-39 agreement of both actuaries, the difference in the city
30-40 contribution rate calculated by the city actuary and the city
30-41 contribution rate calculated by the pension system actuary may not
30-42 be further increased and:

30-43 (A) if, as a result of reconciliation efforts
30-44 under this subdivision, the difference is reduced to less than or
30-45 equal to two percentage points:

30-46 (i) the city contribution rate proposed
30-47 under the reconciliation by the pension system actuary will be
30-48 used; and

30-49 (ii) the pension system's risk sharing
30-50 valuation study is considered to be the final risk sharing
30-51 valuation study for the fiscal year for the purposes of this
30-52 article; or

30-53 (B) if, after 20 business days, the pension
30-54 system actuary and the city actuary are not able to reach a
30-55 reconciliation that reduces the difference to an amount less than
30-56 or equal to two percentage points:

30-57 (i) the city actuary at the direction of the
30-58 city and the pension system actuary at the direction of the pension
30-59 system each shall deliver to the finance director of the city and
30-60 the executive director of the pension system a final risk sharing
30-61 valuation study with any agreed-to changes, marked as the final
30-62 risk sharing valuation study for each actuary; and

30-63 (ii) not later than the 90th day before the
30-64 first day of the next fiscal year, the finance director and the
30-65 executive director shall execute a joint addendum to the final risk
30-66 sharing valuation study received by them under Subparagraph (i) of
30-67 this paragraph that is a part of the final risk sharing valuation
30-68 study for the fiscal year for all purposes and reflects the
30-69 arithmetic average of the city contribution rates for the fiscal

31-1 year stated in the final risk sharing valuation study.

31-2 (g) The assumptions and methods used and the types of
 31-3 actuarial data and financial information used to prepare the
 31-4 initial risk sharing valuation study under Section 9B of this
 31-5 article shall be used to prepare each subsequent risk sharing
 31-6 valuation study under this section, unless changed based on the
 31-7 actuarial experience study conducted under Section 9C of this
 31-8 article.

31-9 (h) The actuarial data provided under Subsection (a)(2) of
 31-10 this section may not include the identifying information of
 31-11 individual members.

31-12 Sec. 9B. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR
 31-13 MIDPOINT. (a) The pension system and the city shall separately
 31-14 prepare an initial risk sharing valuation study that is dated as of
 31-15 July 1, 2016, in accordance with this section. An initial risk
 31-16 sharing valuation study must:

31-17 (1) except as otherwise provided by this section, be
 31-18 prepared in accordance with Section 9A of this article and, for
 31-19 purposes of Section 9A(a)(2) of this article, be based on actuarial
 31-20 data as of June 30, 2016; and

31-21 (2) project the corridor midpoint for 31 fiscal years
 31-22 beginning with the fiscal year beginning July 1, 2017.

31-23 (b) If the action was not taken before the year 2017
 31-24 effective date, as soon as practicable after the year 2017
 31-25 effective date:

31-26 (1) the pension system shall provide to the city
 31-27 actuary, under a confidentiality agreement, the actuarial data
 31-28 needed to prepare the proposed initial risk sharing valuation
 31-29 study;

31-30 (2) not later than the 30th day after the date the
 31-31 city's actuary receives the actuarial data:

31-32 (A) the city actuary, at the direction of the
 31-33 city, shall provide a proposed initial risk sharing valuation study
 31-34 to the pension system actuary; and

31-35 (B) the pension system actuary, at the direction
 31-36 of the pension system, shall provide a proposed initial risk
 31-37 sharing valuation study to the city actuary; and

31-38 (3) the city actuary and the pension system actuary
 31-39 shall adopt an initial risk sharing valuation study in accordance
 31-40 with Subsection (c) of this section.

31-41 (c) If, after exchanging proposed initial risk sharing
 31-42 valuation studies under Subsection (b)(2) of this section, it is
 31-43 determined that the difference between the contribution rate for
 31-44 any fiscal year in the proposed initial risk sharing valuation
 31-45 study prepared by the pension system actuary and in the proposed
 31-46 initial risk sharing valuation study prepared by the city actuary
 31-47 is:

31-48 (1) less than or equal to two percentage points, the
 31-49 city contribution rate for that fiscal year as determined by the
 31-50 pension system actuary will be used; or

31-51 (2) greater than two percentage points, the city
 31-52 actuary and the pension system actuary shall have 20 business days
 31-53 to reconcile the difference and:

31-54 (A) if, as a result of reconciliation efforts
 31-55 under this subdivision, the difference in any fiscal year is
 31-56 reduced to less than or equal to two percentage points, the city
 31-57 contribution rate as determined by the pension system actuary for
 31-58 that fiscal year will be used; or

31-59 (B) if, after 20 business days, the city actuary
 31-60 and the pension system actuary are not able to reach a
 31-61 reconciliation that reduces the difference to an amount less than
 31-62 or equal to two percentage points for any fiscal year:

31-63 (i) the city actuary at the direction of the
 31-64 city and the pension system actuary at the direction of the pension
 31-65 system each shall deliver to the finance director of the city and
 31-66 the executive director of the pension system a final initial risk
 31-67 sharing valuation study with any agreed-to changes, marked as the
 31-68 final initial risk sharing valuation study for each actuary; and

31-69 (ii) the finance director and the executive

32-1 director shall execute a joint addendum to the final initial risk
 32-2 sharing valuation study that is a part of each final initial risk
 32-3 sharing valuation study for all purposes and that reflects the
 32-4 arithmetic average of the city contribution rate for each fiscal
 32-5 year in which the difference was greater than two percentage
 32-6 points.

32-7 (d) In preparing the initial risk sharing valuation study,
 32-8 the city actuary and pension system actuary shall:

32-9 (1) adjust the actuarial value of assets to be equal to
 32-10 the current market value of assets;

32-11 (2) assume the issuance of planned pension obligation
 32-12 bonds by December 31, 2017; and

32-13 (3) assume benefit and contribution changes
 32-14 contemplated by this article as of the year 2017 effective date.

32-15 (e) If the city actuary does not prepare an initial risk
 32-16 sharing valuation study for purposes of this section, the pension
 32-17 system actuary's initial risk sharing valuation study will be used
 32-18 as the final risk sharing valuation study for purposes of this
 32-19 article unless the city did not prepare a proposed initial risk
 32-20 sharing valuation study because the pension system actuary did not
 32-21 provide the necessary actuarial data in a timely manner. If the
 32-22 city did not prepare a proposed initial risk sharing valuation
 32-23 study because the pension system actuary did not provide the
 32-24 necessary actuarial data in a timely manner, the city actuary shall
 32-25 have 60 days to prepare the proposed initial risk sharing valuation
 32-26 study on receipt of the necessary information.

32-27 (f) If the pension system actuary does not prepare a
 32-28 proposed initial risk sharing valuation study for purposes of this
 32-29 section, the proposed initial risk sharing valuation study prepared
 32-30 by the city actuary will be the final risk sharing valuation study
 32-31 for purposes of this article.

32-32 (g) The city and the board may agree on a written transition
 32-33 plan for resetting the corridor midpoint:

32-34 (1) if at any time the funded ratio is equal to or
 32-35 greater than 100 percent; or

32-36 (2) for any fiscal year after the payoff year of the
 32-37 legacy liability.

32-38 (h) If the city and the board have not entered into an
 32-39 agreement described by Subsection (g) of this section in a given
 32-40 fiscal year, the corridor midpoint will be the value determined in
 32-41 the initial risk sharing valuation study prepared in accordance
 32-42 with this section.

32-43 (i) If the city makes a contribution to the pension system
 32-44 of at least \$5 million more than the amount that would be required
 32-45 by Section 9(a) of this article, a liability gain layer with the
 32-46 same remaining amortization period as the legacy liability is
 32-47 created and the corridor midpoint shall be decreased by the
 32-48 amortized amount in each fiscal year covered by the liability gain
 32-49 layer produced divided by the projected pensionable payroll.

32-50 (j) If the city fails to pay to the pension system the
 32-51 proceeds of pension obligation bonds by December 31, 2017, the risk
 32-52 sharing valuation study prepared for the fiscal year ending June
 32-53 30, 2019, must reflect:

32-54 (1) a city contribution rate adjusted to the corridor
 32-55 midpoint for the remaining amortization period for the legacy
 32-56 liability to account for the actual delivery date of any bond
 32-57 proceeds or for the undelivered bond proceeds;

32-58 (2) credit for amounts actually paid and amortizing
 32-59 any unpaid amounts over the remaining amortization period for the
 32-60 legacy liability; and

32-61 (3) for purposes of this article, the resulting
 32-62 corridor midpoint for each year shall be considered the corridor
 32-63 midpoint established for that year in the initial risk sharing
 32-64 valuation study.

32-65 Sec. 9C. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
 32-66 every four years, the pension system actuary at the direction of the
 32-67 pension system shall conduct an actuarial experience study. The
 32-68 actuarial experience study required by this subsection must be
 32-69 completed not later than September 30 of the year in which the study

33-1 is required to be conducted.

33-2 (b) Except as otherwise expressly provided by Section 9A of
 33-3 this article, actuarial assumptions and methods used in the
 33-4 preparation of a risk sharing valuation study, other than the
 33-5 initial risk sharing valuation study, shall be based on the results
 33-6 of the most recent actuarial experience study.

33-7 (c) Not later than the 180th day before the date the board
 33-8 may consider adopting any assumptions and methods for purposes of
 33-9 Section 9A of this article, the pension system shall provide the
 33-10 city actuary with a substantially final draft of the pension
 33-11 system's actuarial experience study, including:

33-12 (1) all assumptions and methods recommended by the
 33-13 pension system's actuary; and

33-14 (2) summaries of the reconciled actuarial data used in
 33-15 creation of the actuarial experience study.

33-16 (d) Not later than the 60th day after the date the city
 33-17 receives the final draft of the pension system's actuarial
 33-18 experience study under Subsection (c) of this section, the city
 33-19 actuary and pension system actuary shall confer and cooperate on
 33-20 reconciling and producing a final actuarial experience study.
 33-21 During the period prescribed by this subsection, the pension system
 33-22 actuary may modify the recommended assumptions in the draft
 33-23 actuarial experience study to reflect any changes to assumptions
 33-24 and methods to which the pension system actuary and the city actuary
 33-25 agree.

33-26 (e) At the city actuary's written request, the pension
 33-27 system shall provide additional actuarial data used by the pension
 33-28 system actuary to prepare the draft actuarial experience study,
 33-29 provided that confidential data may only be provided subject to a
 33-30 confidentiality agreement in which the city actuary agrees to
 33-31 comply with the confidentiality provisions of Section 29 of this
 33-32 article.

33-33 (f) The city actuary at the direction of the city shall
 33-34 provide in writing to the pension system actuary and the pension
 33-35 system:

33-36 (1) any assumptions and methods recommended by the
 33-37 city actuary that differ from the assumptions and methods
 33-38 recommended by the pension system actuary; and

33-39 (2) the city actuary's rationale for each method or
 33-40 assumption the actuary recommends and determines to be consistent
 33-41 with standards adopted by the Actuarial Standards Board.

33-42 (g) Not later than the 30th day after the date the pension
 33-43 system actuary receives the city actuary's written recommended
 33-44 assumptions and methods and rationale under Subsection (f) of this
 33-45 section, the pension system shall provide a written response to the
 33-46 city actuary identifying any assumption or method recommended by
 33-47 the city actuary that the pension system does not accept. If any
 33-48 assumption or method is not accepted, the pension system shall
 33-49 recommend to the city the names of three independent actuaries for
 33-50 purposes of this section.

33-51 (h) An actuary may only be recommended, selected, or engaged
 33-52 by the pension system as an independent actuary under this section
 33-53 if the person:

33-54 (1) is not already engaged by the city, the pension
 33-55 system, or any other fund or pension system authorized under
 33-56 Article 6243e.2(1), Revised Statutes, or Chapter 88 (H.B. 1573),
 33-57 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,
 33-58 Vernon's Texas Civil Statutes), to provide actuarial services to
 33-59 the city, the pension system, or another fund or pension system;

33-60 (2) is a member of the American Academy of Actuaries;
 33-61 and

33-62 (3) has at least five years of experience as an actuary
 33-63 working with one or more public retirement systems with assets in
 33-64 excess of \$1 billion.

33-65 (i) Not later than the 20th day after the date the city
 33-66 receives the list of three independent actuaries under Subsection
 33-67 (g) of this section, the city shall identify and the pension system
 33-68 shall hire one of the listed independent actuaries on terms
 33-69 acceptable to the city and the pension system to perform a scope of

34-1 work acceptable to the city and the pension system. The city and
34-2 the pension system each shall pay 50 percent of the cost of the
34-3 independent actuary engaged under this subsection. The city shall
34-4 be provided the opportunity to participate in any communications
34-5 between the independent actuary and the pension system concerning
34-6 the engagement, engagement terms, or performance of the terms of
34-7 the engagement.

34-8 (j) The independent actuary engaged under Subsection (i) of
34-9 this section shall receive on request from the city or the pension
34-10 system:

34-11 (1) the pension system's draft actuarial experience
34-12 study, including all assumptions and methods recommended by the
34-13 pension system actuary;

34-14 (2) summaries of the reconciled actuarial data used to
34-15 prepare the draft actuarial experience study;

34-16 (3) the city actuary's specific recommended
34-17 assumptions and methods together with the city actuary's written
34-18 rationale for each recommendation;

34-19 (4) the pension system actuary's written rationale for
34-20 its recommendations; and

34-21 (5) if requested by the independent actuary and
34-22 subject to a confidentiality agreement in which the independent
34-23 actuary agrees to comply with the confidentiality provisions of
34-24 this article, additional confidential actuarial data.

34-25 (k) Not later than the 30th day after the date the
34-26 independent actuary receives all the requested information under
34-27 Subsection (j) of this section, the independent actuary shall
34-28 advise the pension system and the city whether it agrees with the
34-29 assumption or method recommended by the city actuary or the
34-30 corresponding method or assumption recommended by the pension
34-31 system actuary, together with the independent actuary's rationale
34-32 for making the determination. During the period prescribed by this
34-33 subsection, the independent actuary may discuss recommendations in
34-34 simultaneous consultation with the pension system actuary and the
34-35 city actuary.

34-36 (l) The pension system and the city may not seek any
34-37 information from any prospective independent actuary about
34-38 possible outcomes of the independent actuary's review.

34-39 (m) If an independent actuary has questions or concerns
34-40 regarding an engagement entered into under this section, the
34-41 independent actuary shall simultaneously consult with both the city
34-42 actuary and the pension system actuary regarding the questions or
34-43 concerns. This subsection does not limit the pension system's
34-44 authorization to take appropriate steps to complete the engagement
34-45 of the independent actuary on terms acceptable to both the pension
34-46 system and the city or to enter into a confidentiality agreement
34-47 with the independent actuary, if needed.

34-48 (n) If the board does not adopt an assumption or method
34-49 recommended by the city or pension system actuary and to which the
34-50 independent actuary agrees, the city actuary is authorized to use
34-51 that recommended assumption or method in connection with
34-52 preparation of a risk sharing valuation study under Section 9A of
34-53 this article until the next actuarial experience study is
34-54 conducted.

34-55 Sec. 9D. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
34-56 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR
34-57 CERTAIN ADJUSTMENTS. (a) This section governs the determination
34-58 of the city contribution rate applicable in a fiscal year if the
34-59 estimated city contribution rate under a risk sharing valuation
34-60 study prepared under Section 9A or 9B of this article, as
34-61 applicable, is lower than the corridor midpoint.

34-62 (b) If the funded ratio is:

34-63 (1) less than 90 percent and the proposed city
34-64 contribution rate is equal to or greater than the minimum
34-65 contribution rate, the city contribution rate for the fiscal year
34-66 equals the corridor midpoint; or

34-67 (2) equal to or greater than 90 percent and the city
34-68 contribution rate is:

34-69 (A) equal to or greater than the minimum

35-1 contribution rate, the estimated city contribution rate is the city
 35-2 contribution rate for the fiscal year; or

35-3 (B) except as provided by Subsection (d) or (e)
 35-4 of this section, less than the minimum contribution rate for the
 35-5 corresponding fiscal year, the city contribution rate for the
 35-6 fiscal year equals the minimum contribution rate achieved in
 35-7 accordance with Subsection (c) of this section.

35-8 (c) For purposes of Subsection (b)(2)(B) of this section,
 35-9 the following adjustments shall be applied sequentially to the
 35-10 extent required to increase the estimated city contribution rate to
 35-11 equal the minimum contribution rate:

35-12 (1) first, adjust the actuarial value of assets equal
 35-13 to the current market value of assets, if making the adjustment
 35-14 causes the city contribution rate to increase;

35-15 (2) second, under a written agreement between the city
 35-16 and the board entered into under Section 27 of this article not
 35-17 later than April 30 before the first day of the next fiscal year,
 35-18 reduce the assumed rate of return;

35-19 (3) third, under a written agreement between the city
 35-20 and the board entered into under Section 27 of this article no later
 35-21 than April 30 before the first day of the next fiscal year,
 35-22 prospectively restore all or part of any benefit reductions or
 35-23 reduce increased employee contributions, in each case made after
 35-24 the year 2017 effective date; and

35-25 (4) fourth, accelerate the payoff year of the existing
 35-26 liability loss layers, including the legacy liability, by
 35-27 accelerating the oldest liability loss layers first, to an
 35-28 amortization period that is not less than 10 years from the first
 35-29 day of the fiscal year beginning 12 months after the date of the
 35-30 risk sharing valuation study in which the liability loss layer is
 35-31 first recognized.

35-32 (d) If the funded ratio is:

35-33 (1) equal to or greater than 100 percent:

35-34 (A) all existing liability layers, including the
 35-35 legacy liability, are considered fully amortized and paid;

35-36 (B) the applicable fiscal year is the payoff year
 35-37 for the legacy liability; and

35-38 (C) for each fiscal year subsequent to the fiscal
 35-39 year described by Paragraph (B) of this subdivision, the corridor
 35-40 midpoint shall be determined as provided by Section 9B(g) of this
 35-41 article; and

35-42 (2) greater than 100 percent in a written agreement
 35-43 between the city and the pension system under Section 27 of this
 35-44 article, the pension system may reduce member contributions or
 35-45 increase pension benefits if, as a result of the action:

35-46 (A) the funded ratio is not less than 90 percent;
 35-47 and

35-48 (B) the city contribution rate is not more than
 35-49 the minimum contribution rate.

35-50 (e) Except as provided by Subsection (f) of this section, if
 35-51 an agreement under Subsection (d) of this section is not reached on
 35-52 or before April 30 before the first day of the next fiscal year,
 35-53 before the first day of the next fiscal year the board shall reduce
 35-54 member contributions and implement or increase cost of living
 35-55 adjustments, but only to the extent that the city contribution rate
 35-56 is set at or below the minimum contribution rate and the funded
 35-57 ratio is not less than 90 percent.

35-58 (f) If any member contribution reduction or benefit
 35-59 increase has occurred within the previous three fiscal years, the
 35-60 board may not make additional adjustments to benefits, and the city
 35-61 contribution rate must be set to equal the minimum contribution
 35-62 rate.

35-63 Sec. 9E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
 35-64 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;
 35-65 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs
 35-66 the determination of the city contribution rate in a fiscal year
 35-67 when the estimated city contribution rate under a risk sharing
 35-68 valuation study prepared under Section 9A or 9B of this article, as
 35-69 applicable, is equal to or greater than the corridor midpoint.

36-1 (b) If the estimated city contribution rate is:

36-2 (1) less than or equal to the maximum contribution
 36-3 rate for the corresponding fiscal year, the estimated city
 36-4 contribution rate is the city contribution rate; or

36-5 (2) except as provided by Subsection (d) or (f) of this
 36-6 section, greater than the maximum contribution rate for the
 36-7 corresponding fiscal year, the city contribution rate equals the
 36-8 corridor midpoint achieved in accordance with Subsection (c) of
 36-9 this section.

36-10 (c) For purposes of Subsection (b)(2) of this section, the
 36-11 following adjustments shall be applied sequentially to the extent
 36-12 required to decrease the estimated city contribution rate to equal
 36-13 the corridor midpoint:

36-14 (1) first, if the payoff year of the legacy liability
 36-15 was accelerated under Section 9D(c) of this article, extend the
 36-16 payoff year of existing liability loss layers, by extending the
 36-17 most recent loss layers first, to a payoff year not later than 30
 36-18 years from the first day of the fiscal year beginning 12 months
 36-19 after the date of the risk sharing valuation study in which the
 36-20 liability loss layer is first recognized; and

36-21 (2) second, adjust the actuarial value of assets to
 36-22 the current market value of assets, if making the adjustment causes
 36-23 the city contribution rate to decrease.

36-24 (d) If the city contribution rate after adjustment under
 36-25 Subsection (c) of this section is greater than the third quarter
 36-26 line rate:

36-27 (1) the city contribution rate equals the third
 36-28 quarter line rate; and

36-29 (2) to the extent necessary to comply with Subdivision
 36-30 (1) of this subsection, the city and the board shall enter into a
 36-31 written agreement under Section 27 of this article to increase
 36-32 member contributions and make other benefits or plan changes not
 36-33 otherwise prohibited by applicable federal law or regulations.

36-34 (e) Gains resulting from adjustments made as the result of a
 36-35 written agreement between the city and the board under Subsection
 36-36 (d)(2) of this section must be applied to the city contribution rate
 36-37 and not to the legacy liability.

36-38 (f) If an agreement under Subsection (d)(2) of this section
 36-39 is not reached on or before April 30 before the first day of the next
 36-40 fiscal year, before the start of the next fiscal year to which the
 36-41 city contribution rate would apply, the board, to the extent
 36-42 necessary to set the city contribution rate equal to the third
 36-43 quarter line rate, shall:

36-44 (1) increase member contributions and decrease
 36-45 cost-of-living adjustments;

36-46 (2) increase the normal retirement age; or

36-47 (3) take all actions authorized under Subdivisions (1)
 36-48 and (2) of this subsection.

36-49 (g) If the city contribution rate remains greater than the
 36-50 corridor midpoint in the third fiscal year after adjustments are
 36-51 made in accordance with Subsection (d)(2) of this section, in that
 36-52 fiscal year the city contribution rate equals the corridor midpoint
 36-53 achieved in accordance with Subsection (h) of this section.

36-54 (h) The city contribution rate must be set at the corridor
 36-55 midpoint under Subsection (g) of this section by:

36-56 (1) in the risk sharing valuation study for the third
 36-57 fiscal year described by Subsection (g) of this section, adjusting
 36-58 the actuarial value of assets to equal the current market value of
 36-59 assets, if making the adjustment causes the city contribution rate
 36-60 to decrease; and

36-61 (2) under a written agreement entered into between the
 36-62 city and the board under Section 27 of this article:

36-63 (A) increasing member contributions; and

36-64 (B) making any other benefits or plan changes not
 36-65 otherwise prohibited by applicable federal law or regulations.

36-66 (i) If an agreement under Subsection (h)(2) of this section
 36-67 is not reached on or before April 30 before the first day of the next
 36-68 fiscal year, before the start of the next fiscal year, the board, to
 36-69 the extent necessary to set the city contribution rate equal to the

37-1 corridor midpoint, shall:
37-2 (1) increase member contributions and decrease
37-3 cost-of-living adjustments;
37-4 (2) increase the normal retirement age; or
37-5 (3) take all actions authorized under Subdivisions (1)
37-6 and (2) of this subsection.

37-7 Sec. 9F. UNILATERAL ACTION PROHIBITED.

37-8 (a) Notwithstanding Sections 6(f) or 5B of this article, the
37-9 pension board may not change, terminate, or modify Sections 9
37-10 through 9E of this article.

37-11 (b) No unilateral decision or action by the board is binding
37-12 on the city and no unilateral action by the city is binding on the
37-13 pension system with respect to the application of Sections 9
37-14 through 9E of this article unless expressly provided by a provision
37-15 of those sections. Nothing in this subsection is intended to limit
37-16 the powers or authority of the board.

37-17 SECTION 2.13. Article 6243g-4, Revised Statutes, is amended
37-18 by adding Section 10A to read as follows:

37-19 Sec. 10A. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT
37-20 CONSULTANT. (a) At least once every three years, the board shall
37-21 hire an independent investment consultant, including an
37-22 independent investment consulting firm, to conduct a review of
37-23 pension system investments and submit a report to the board and the
37-24 city concerning that review. The independent investment consultant
37-25 shall review and report on at least the following:

37-26 (1) the pension system's compliance with its
37-27 investment policy statement, ethics policies, including policies
37-28 concerning the acceptance of gifts, and policies concerning insider
37-29 trading;

37-30 (2) the pension system's asset allocation, including a
37-31 review and discussion of the various risks, objectives, and
37-32 expected future cash flows;

37-33 (3) the pension system's portfolio structure,
37-34 including the system's need for liquidity, cash income, liquid
37-35 returns, and inflation protection and the active, passive, or index
37-36 approaches used for different portions of the portfolio;

37-37 (4) investment manager or advisor performance reviews
37-38 and an evaluation of the processes used to select and evaluate
37-39 managers;

37-40 (5) benchmarks used for each asset class and
37-41 individual manager;

37-42 (6) evaluation of fees and trading costs;

37-43 (7) evaluation of investments in any leverage, foreign
37-44 exchange, or other hedging transaction; and

37-45 (8) an evaluation of investment-related disclosures
37-46 in the pension system's annual reports or valuations.

37-47 (b) When the board retains an independent investment
37-48 consultant under this section, the pension system may require the
37-49 consultant to agree in writing to maintain the confidentiality of:

37-50 (1) information provided to the consultant that is
37-51 reasonably necessary to conduct a review under this section; and

37-52 (2) any nonpublic information provided for the pension
37-53 system for the audit.

37-54 (c) The costs for the investment report required by this
37-55 section must be paid from the fund.

37-56 SECTION 2.14. Sections 11(a) and (c), Article 6243g-4,
37-57 Revised Statutes, are amended to read as follows:

37-58 (a) A member who returns to service after an interruption in
37-59 service is eligible for ~~entitled to~~ credit for the previous
37-60 service to the extent provided by Section 17 or 19 of this article.

37-61 (c) A member may not have any service credited for unused
37-62 sick leave, vacation pay, ~~or~~ accumulated overtime, or equivalent
37-63 types of pay until the date the member retires, at which time the
37-64 member may apply some or all of the service to satisfy the
37-65 requirements for retirement, although the member otherwise could
37-66 not meet the service requirement without the credit.

37-67 SECTION 2.15. Section 12, Article 6243g-4, Revised
37-68 Statutes, is amended by amending Subsections (a), (b), (c), (d),
37-69 (e), (h), and (i) and adding Subsections (b-1), (b-2), (b-3),

38-1 (c-1), (c-2), (j), (k), (l), and (m) to read as follows:

38-2 (a) A member who separates from service after attaining
 38-3 normal retirement age [~~earning 20 or more years of service~~] is
 38-4 eligible to receive a monthly service pension, beginning in the
 38-5 month of separation from service. A member who separates from
 38-6 service as a classified police officer with the city after November
 38-7 23, 1998, after earning 10 or more but less than 20 years of service
 38-8 in [~~any of~~] the [~~city's~~] pension system [~~systems~~] and who complies
 38-9 with all applicable requirements of Section 19 of this article is
 38-10 eligible to receive a monthly service pension, beginning in the
 38-11 month the individual attains 60 years of age. An individual may not
 38-12 receive a pension under this article while still an active member [~~—~~
 38-13 ~~except as provided by Subsection (f) of this section~~]. All service
 38-14 pensions end with the month in which the retired member dies. The
 38-15 city shall supply all personnel, financial, and payroll records
 38-16 necessary to establish the member's eligibility for a benefit, the
 38-17 member's credited service, and the amount of the benefit. The city
 38-18 must provide those records in the format specified by the pension
 38-19 system.

38-20 (b) Except as otherwise provided by this section, including
 38-21 Subsection (b-3) of this section, the monthly service pension of a
 38-22 member who:

38-23 (1) is hired before October 9, 2004, including a
 38-24 member hired before October 9, 2004, who involuntarily separated
 38-25 from service but has been retroactively reinstated under
 38-26 arbitration, civil service, or a court ruling, [~~that becomes due~~
 38-27 after May 1, 2001,] is equal to the sum of:

38-28 (A) 2.75 percent of the member's final average
 38-29 [~~total direct~~] pay multiplied by the member's years or partial
 38-30 years of service [~~or, if the member retired before November 24,~~
 38-31 ~~1998, 2.75 percent of the member's base salary,~~] for [~~each of~~] the
 38-32 member's first 20 years of service; and

38-33 (B) [~~— plus an additional~~] two percent of the
 38-34 member's final average [~~total direct~~] pay multiplied by the
 38-35 member's years or partial years of service for the member's years of
 38-36 service in excess of the 20 years of service described by Paragraph
 38-37 (A) of this subdivision; or

38-38 (2) except as provided by Subdivision (1) of this
 38-39 subsection, is hired or rehired as an active member on or after
 38-40 October 9, 2004, is equal to the sum of:

38-41 (A) 2.25 percent of the member's final average
 38-42 pay multiplied by the member's years or partial years of service for
 38-43 the member's first 20 years of service; and

38-44 (B) two percent of the member's final average pay
 38-45 multiplied by the member's years or partial years of service in
 38-46 excess of 20 years of service described by Paragraph (A) of this
 38-47 subdivision [~~for each of the member's subsequent years of service,~~
 38-48 computed to the nearest one-twelfth of a year].

38-49 (b-1) A member who [~~separates from service after November~~
 38-50 ~~23, 1998, including a member who was a DROP participant, and~~] begins
 38-51 to receive a monthly service pension under Subsection (b)(1) of
 38-52 this section shall also receive a one-time lump-sum payment of
 38-53 \$5,000 at the same time the first monthly pension payment is made.
 38-54 The lump-sum payment under this subsection is not available to a
 38-55 member who has previously received a \$5,000 payment under this
 38-56 section or Section 16 of this article. A member described by
 38-57 Subsection (b)(2) of this section may not receive the lump-sum
 38-58 payment described by this subsection.

38-59 (b-2) For purposes of Subsections (b) and (b-1) of this
 38-60 section, partial years shall be computed to the nearest one-twelfth
 38-61 of a year.

38-62 (b-3) A member's monthly service pension may not exceed 80
 38-63 percent of the member's final average pay.

38-64 (c) Subject to Subsection (c-2) of this section, beginning
 38-65 with the fiscal year ending June 30, 2021, the [~~The~~] pension payable
 38-66 to a [~~each~~] retired member or survivor who is 55 years of age or
 38-67 older as of April 1 of the applicable fiscal year, a member or
 38-68 survivor who received benefits or survivor benefits before June 8,
 38-69 1995, or a survivor of an active member who dies from a cause

39-1 connected with the performance of the member's duties [~~of the~~
 39-2 ~~pension system~~] shall be adjusted annually, effective April 1 of
 39-3 each year, upward at a rate equal to the most recent five fiscal
 39-4 years' smoothed return, as determined by the pension system
 39-5 actuary, minus 500 basis points [~~two-thirds of any percentage~~
 39-6 ~~increase in the Consumer Price Index for All Urban Consumers for the~~
 39-7 ~~preceding year. The amount of the annual adjustment may not be less~~
 39-8 ~~than three percent or more than eight percent of the pension being~~
 39-9 ~~paid immediately before the adjustment, notwithstanding a greater~~
 39-10 ~~or lesser increase in the consumer price index].~~

39-11 (c-1) Subject to Subsection (c-2) of this section, for the
 39-12 pension system's fiscal years ending June 30, 2018, and June 30,
 39-13 2019, the pension payable to each retired member or survivor who is
 39-14 70 years of age or older shall be adjusted annually, effective April
 39-15 1 of each year, upward at a rate equal to the most recent five fiscal
 39-16 years' smoothed return, as determined by the pension system
 39-17 actuary, minus 500 basis points.

39-18 (c-2) The percentage rate prescribed by Subsections (c) and
 39-19 (c-1) of this section may not be less than zero percent or more than
 39-20 four percent, irrespective of the return rate of the pension
 39-21 system's investment portfolio.

39-22 (d) A retired member who receives a service pension under
 39-23 this article is eligible [~~entitled~~] to receive an additional amount
 39-24 each month equal to \$150, beginning on the later of the date the
 39-25 retired member's pension begins or the date the first monthly
 39-26 payment becomes due after June 18, 2001, and continuing until the
 39-27 end of the month in which the retired member dies. This amount is
 39-28 intended to defray the retired member's group medical insurance
 39-29 costs and will be paid directly by the fund to the retired member
 39-30 for the retired member's lifetime.

39-31 (e) At the end of each calendar year beginning after 1998,
 39-32 and subject to the conditions provided by this subsection, the
 39-33 pension system shall make a 13th benefit payment to each member or
 39-34 survivor who is hired or rehired before October 9, 2004, including a
 39-35 member hired or rehired before October 9, 2004, who was reinstated
 39-36 under arbitration, civil service, or a court ruling after that
 39-37 date, and [~~person~~] who is receiving a service pension. The amount
 39-38 of the 13th payment shall be the same as the last monthly payment
 39-39 received by the retiree or survivor before issuance of the payment,
 39-40 except the payment received by any person who has been in pay status
 39-41 for less than 12 months shall be for a prorated amount determined by
 39-42 dividing the amount of the last payment received by 12 and
 39-43 multiplying this amount by the number of months the person has been
 39-44 in pay status. The 13th payment may be made only for those calendar
 39-45 years in which the pension system's funded ratio is 120 percent or
 39-46 greater [+

39-47 [~~(1) the assets held by the fund will equal or exceed~~
 39-48 ~~its liabilities after the 13th payment is made,~~

39-49 [~~(2) the rate of return on the fund's assets exceeded~~
 39-50 ~~9.25 percent for the last fiscal year ending before the payment, and~~

39-51 [~~(3) the payment will not cause an increase in the~~
 39-52 ~~contribution the city would have been required to make if the 13th~~
 39-53 ~~payment had not been made].~~

39-54 (h) Final average [~~Average total direct~~] pay for a member
 39-55 who retires after participating in a phase-down program in which
 39-56 the member receives a periodic payment that is generated from the
 39-57 member's accumulated sick time, vacation time, and overtime
 39-58 balances shall be based on the final average pay the member received
 39-59 on the earlier of the date:

39-60 (1) immediately preceding the date the member began
 39-61 phase-down participation; or

39-62 (2) if the member began DROP participation on or after
 39-63 the year 2017 effective date, the member began participation in
 39-64 DROP [~~highest pay period, excluding any pay for overtime work, in~~
 39-65 ~~the periods during which the member worked full-time before~~
 39-66 ~~participating in the phase-down program].~~

39-67 (i) The computation of final average [~~total direct~~] pay
 39-68 shall be made in accordance with procedures and policies adopted by
 39-69 the board.

40-1 (j) A member participating in the phase-down program,
 40-2 defined in the 2011 labor agreement between the city and the police
 40-3 officers' union, who has separated from service is eligible to
 40-4 receive a monthly service pension as if the member had attained
 40-5 normal retirement age. Notwithstanding any other law, a member
 40-6 participating in option A or B of the phase-down program whose
 40-7 effective date of entry into DROP is on or before the year 2017
 40-8 effective date is, on exiting the phase-down program and separating
 40-9 from service, eligible to receive a monthly service pension equal
 40-10 to the amount credited to the member's DROP account under Section
 40-11 14(d) of this article immediately before the member separated from
 40-12 service.

40-13 (k) If a member is hired on or after October 9, 2004, the
 40-14 member may elect to receive a partial lump-sum optional payment
 40-15 equal to not more than 20 percent of the actuarial value of the
 40-16 member's accrued pension at retirement. The lump-sum payment under
 40-17 this subsection shall be actuarially neutral. Notwithstanding any
 40-18 other law, if a member elects to receive a lump-sum payment under
 40-19 this subsection, the value of the member's monthly service pension
 40-20 shall be reduced actuarially to reflect the lump-sum payment.

40-21 (l) A member who is receiving workers' compensation
 40-22 payments or who has received workers' compensation and subsequently
 40-23 retires or begins participation in DROP will have the member's
 40-24 pension or DROP benefit, as applicable, calculated on the pay that
 40-25 the member would have received had the member not been receiving
 40-26 workers' compensation benefits.

40-27 (m) For a member who is promoted or appointed to a position
 40-28 above the rank of captain on or after the year 2017 effective date,
 40-29 the member's monthly service pension and member contributions shall
 40-30 be based on, as determined by the board:

40-31 (1) the member's pay for the position the member held
 40-32 immediately before being promoted or appointed; or

40-33 (2) the pay of the highest civil rank for classified
 40-34 police officers for those members who have no prior service with the
 40-35 city, which pay must be calculated based on the three-year average
 40-36 prior to retirement.

40-37 SECTION 2.16. Section 14, Article 6243g-4, Revised
 40-38 Statutes, is amended by amending Subsections (b), (c), (d), (e),
 40-39 (f-1), (h), (i), (k), and (l) and adding Subsections (c-1) and (c-2)
 40-40 to read as follows:

40-41 (b) An active member who was hired before October 9, 2004,
 40-42 including a member hired before October 9, 2004, who has been
 40-43 reinstated under arbitration, civil service, or a court ruling
 40-44 after that date, and has at least 20 years of service with the
 40-45 police department may file with the pension system an election to
 40-46 participate in DROP and receive a DROP benefit instead of the
 40-47 standard form of pension provided by this article as of the date the
 40-48 active member attained 20 years of service. The election may be
 40-49 made, under procedures established by the board, by an eligible
 40-50 active member who has attained the required years of service. A
 40-51 DROP election that is made and accepted by the board may not be
 40-52 revoked [before the member's separation from service].

40-53 (c) The monthly service pension or [and] death benefits of
 40-54 an active member who is a DROP participant that were accrued under
 40-55 this article as it existed immediately before the year 2017
 40-56 effective date remain accrued.

40-57 (c-1) The monthly service pension or death benefits of an
 40-58 active member who becomes a DROP participant on or after the year
 40-59 2017 effective date will be determined as if the [active] member had
 40-60 separated from service and begun receiving a pension on the
 40-61 effective date of the member's DROP election and the [The active]
 40-62 member does not retire but does not accrue additional service
 40-63 credit beginning on the effective date of the member's entry into
 40-64 DROP.

40-65 (c-2) For a member who exits DROP on or after the year 2017
 40-66 effective date:

40-67 (1) any [the election, and] increases in the member's
 40-68 pay that occur on or after the effective date of the member's entry
 40-69 into DROP [that date] may not be used in computing the [active]

41-1 member's monthly service pension; and
 41-2 ~~(2) any[, except as provided by Subsection (1) of this~~
 41-3 ~~section, but]~~ cost-of-living adjustments that occur on or after the
 41-4 ~~effective date of the member's entry into DROP [that date] and that~~
 41-5 ~~otherwise would be applicable to the pension will not be made during~~
 41-6 ~~the time the member participates in DROP.~~

41-7 (d) The member's DROP benefit is determined as provided by
 41-8 this subsection and Subsection (e) of this section. Each month an
 41-9 amount equal to the monthly service pension the active member would
 41-10 have been eligible [entitled] to receive if the active member had
 41-11 separated from service on the effective date of entry into DROP,
 41-12 less any amount that is intended to help defray the active member's
 41-13 group medical insurance costs as described by Section 12(d) of this
 41-14 article, shall be credited to a notional DROP account for the active
 41-15 member~~[, and each month an amount equal to the monthly~~
 41-16 ~~contributions the active member makes to the fund on and after the~~
 41-17 ~~effective date of entry into DROP also shall be credited to the same~~
 41-18 ~~notional DROP account].~~ In any year in which a 13th payment is made
 41-19 to retired members under Section 12(e) of this article, an amount
 41-20 equal to the amount of the 13th payment that would have been made to
 41-21 the DROP participant if the DROP participant had retired on the date
 41-22 of DROP entry will be credited to the DROP account.

41-23 (e) As of the end of each month an amount is credited to each
 41-24 active member's notional DROP account at the rate of one-twelfth of
 41-25 a hypothetical earnings rate on amounts in the account. The
 41-26 hypothetical earnings rate is determined for each calendar year
 41-27 based on the compounded average of the aggregate annual rate of
 41-28 return on investments of the pension system for the five
 41-29 consecutive fiscal years ending June 30 preceding the calendar year
 41-30 to which the earnings rate applies, multiplied by 65 percent. The
 41-31 hypothetical earnings rate may not be less than 2.5 percent [zero].

41-32 (f-1) If a DROP participant separates from service due to
 41-33 death, ~~and~~ the participant's surviving spouse is eligible [person
 41-34 ~~entitled]~~ to receive benefits under Sections 16 and 16A of this
 41-35 article and the surviving spouse may elect to receive [does not
 41-36 ~~revoke the DROP election,]~~ the DROP benefit ~~[may be received]~~ in the
 41-37 form of an additional annuity over the life expectancy of the
 41-38 surviving spouse.

41-39 (h) Instead of beginning to receive a service pension on
 41-40 separation from service in accordance with Section 12 of this
 41-41 article, a retired member who is a DROP participant may elect to
 41-42 have part or all of the amount that would otherwise be paid as a
 41-43 monthly service pension, less any amount required to pay the
 41-44 retired member's share of group medical insurance costs, credited
 41-45 to a DROP account, in which case the additional amounts will become
 41-46 eligible to be credited with hypothetical earnings in the same
 41-47 manner as the amounts described by Subsection (g) of this section.
 41-48 On and after the year 2017 effective date, additional amounts may
 41-49 not be credited to a DROP account under this subsection. Any
 41-50 amounts credited under this subsection before the year 2017
 41-51 effective date shall remain accrued in a retired member's DROP
 41-52 account.

41-53 (i) A retired member who has not attained age 70-1/2,
 41-54 whether or not a DROP participant before retirement, may elect to
 41-55 have part or all of an amount equal to the monthly service pension
 41-56 the retired member would otherwise be entitled to receive, less any
 41-57 amount required to pay the retired member's share of group medical
 41-58 insurance costs, credited to a DROP account, in which case the
 41-59 amounts will become eligible to be credited with hypothetical
 41-60 earnings in the same manner as the amounts described by Subsection
 41-61 (g) of this section. On and after the year 2017 effective date,
 41-62 additional amounts may not be credited to a DROP account under this
 41-63 subsection. Any amounts credited under this subsection before the
 41-64 year 2017 effective date shall remain accrued in a retired member's
 41-65 DROP account [A retired member who has elected to have monthly
 41-66 service pension benefits credited to a DROP account under this
 41-67 subsection or Subsection (h) of this section may direct that the
 41-68 credits stop and the monthly service pension resume at any time.
 41-69 However, a retired member who stops the credits at any time after

42-1 ~~September 1, 1999, may not later resume the credits].~~
 42-2 (k) If a retired member who is [~~or was~~] a DROP participant is
 42-3 rehired as an employee of the police department, any pension or DROP
 42-4 distribution that was being paid shall be suspended and the monthly
 42-5 amount described by Subsection (d) of this section will again begin
 42-6 to be credited to the DROP account while the member continues to be
 42-7 an employee. If the member's DROP account has been completely
 42-8 distributed, a new notional account may not [will] be created and
 42-9 the monthly amount described by Subsection (d) of this section may
 42-10 not be credited to a DROP account on behalf of the member [to
 42-11 receive the member's monthly credits. If a retired member who was
 42-12 never a DROP participant is rehired as an employee of the police
 42-13 department, that member shall be eligible to elect participation in
 42-14 DROP on the same basis as any other member].

42-15 (1) The maximum number of years an active member may
 42-16 participate in DROP is 20 years. Except as provided by this
 42-17 subsection, after the DROP participant has reached the maximum
 42-18 number of years of DROP participation prescribed by this
 42-19 subsection, including DROP participants with 20 years or more in
 42-20 DROP on or before the year 2017 effective date, the DROP participant
 42-21 may not receive the monthly service pension that was credited to a
 42-22 notional DROP account but may receive the hypothetical earnings
 42-23 rate stated in Subsection (e) of this section. Notwithstanding the
 42-24 preceding, a member's DROP account balance before the year 2017
 42-25 effective date may not be reduced under the preceding provisions of
 42-26 this subsection [The DROP account of each DROP participant who was
 42-27 an active member on May 1, 2001, shall be recomputed and adjusted,
 42-28 effective on that date, to reflect the amount that would have been
 42-29 credited to the account if the member's pension had been computed
 42-30 based on 2.75 percent of the member's average total direct pay, or
 42-31 base pay if applicable, for each of the member's first 20 years of
 42-32 service. The DROP account adjustment shall also include the
 42-33 assumed earnings that would have been credited to the account if the
 42-34 2.75 percent multiplier for the first 20 years of service had been
 42-35 in effect from the time the member became a DROP participant].

42-36 SECTION 2.17. Section 15, Article 6243g-4, Revised
 42-37 Statutes, is amended by amending Subsections (a), (b), (c), (d),
 42-38 (e), and (i) and adding Subsections (a-1), (c-1), (l), (m), and (n)
 42-39 to read as follows:

42-40 (a) An active member who becomes totally and permanently
 42-41 incapacitated for the performance of the member's duties as a
 42-42 result of a bodily injury received in, or illness caused by, the
 42-43 performance of those duties shall, on presentation to the board of
 42-44 proof of total and permanent incapacity, be retired and shall
 42-45 receive an immediate duty-connected disability pension equal to:

42-46 (1) for members hired or rehired before October 9,
 42-47 2004, the greater of 55 percent of the member's final average [total
 42-48 direct] pay at the time of retirement or the member's accrued
 42-49 service pension; or

42-50 (2) for members hired or rehired on or after October 9,
 42-51 2004, the greater of 45 percent of the member's:

42-52 (A) final average pay at the time of retirement;

42-53 or

42-54 (B) accrued service pension.

42-55 (a-1) If the injury or illness described by Subsection (a)
 42-56 of this section involves a traumatic event that directly causes an
 42-57 immediate cardiovascular condition resulting in a total
 42-58 disability, the member is eligible for a duty-connected disability
 42-59 pension. A disability pension granted by the board shall be paid to
 42-60 the member for the remainder of the member's life, [or for] as long
 42-61 as the incapacity remains, subject to Subsection (e) of this
 42-62 section. If a member is a DROP participant at the commencement of
 42-63 the member's disability, the member shall have the option of
 42-64 receiving the DROP balance in any manner that is approved by the
 42-65 board and that satisfies the requirements of Section 401(a)(9) of
 42-66 the code and Treasury Regulation Section 1.104-1(b) (26 C.F.R.
 42-67 Section 1.104-1) and is otherwise available to any other member
 42-68 under this article.

42-69 (b) A member [~~with 10 years or more of credited service] who~~

43-1 becomes totally and permanently incapacitated for the performance
 43-2 of the member's duties and is not eligible for either an immediate
 43-3 service pension or a duty-connected disability pension is eligible
 43-4 for an immediate monthly pension computed in the same manner as a
 43-5 service retirement pension but based on final average [~~total~~
 43-6 ~~direct~~] pay and service accrued to the date of the disability. The
 43-7 pension under this subsection may not be less than:

43-8 (1) for members hired before October 9, 2004,
 43-9 including a member who involuntarily separated from service but has
 43-10 been retroactively reinstated under arbitration, civil service, or
 43-11 a court ruling, 27.5 percent of the member's final average [~~total~~
 43-12 direct] pay; or

43-13 (2) except as provided by Subdivision (1) of this
 43-14 subsection, for members hired or rehired on or after October 9,
 43-15 2004, 22.5 percent of the member's final average pay.

43-16 (c) A member hired or rehired before October 9, 2004, who
 43-17 becomes eligible [~~entitled~~] to receive a disability pension after
 43-18 November 23, 1998, is eligible [~~entitled~~] to receive:

43-19 (1) subject to Subsection (c-1) of this section, a
 43-20 one-time lump-sum payment of \$5,000 at the same time the first
 43-21 monthly disability pension payment is made, but only if the member
 43-22 has not previously received a \$5,000 payment under this section or
 43-23 Section 12 of this article; and

43-24 (2) [~~The retired member shall also receive~~] an
 43-25 additional amount each month equal to \$150, beginning on the later
 43-26 of the date the pension begins or the date the first monthly payment
 43-27 becomes due after June 18, 2001, and continuing as long as the
 43-28 disability pension continues, to help defray the cost of group
 43-29 medical insurance.

43-30 (c-1) For any year in which a 13th payment is made to retired
 43-31 members under Section 12(e) of this article, a 13th payment,
 43-32 computed in the same manner and subject to the same conditions,
 43-33 shall also be paid to members who have retired under this section.

43-34 (d) A person may not receive a disability pension unless the
 43-35 person files with the board an application for a disability pension
 43-36 not later than 180 days after the date of separation from service,
 43-37 at which time the board shall have the person examined, not later
 43-38 than the 90th day after the date the member files the application,
 43-39 by a physician or physicians chosen and compensated by the board.
 43-40 The physician shall make a report and recommendations to the board
 43-41 regarding the extent of any disability and whether any disability
 43-42 that is diagnosed is a duty-connected disability. Except as
 43-43 provided by Subsection (j) of this section, a person may not receive
 43-44 a disability pension for an injury received or illness incurred
 43-45 after separation from service. In accordance with Section 6(g) of
 43-46 this article, the board may, through its presiding officer, issue
 43-47 process, administer oaths, examine witnesses, and compel witnesses
 43-48 to testify as to any matter affecting retirement, disability, or
 43-49 death benefits under any pension plan within the pension system.

43-50 (e) A retired member who has been retired for disability is
 43-51 subject at all times to reexamination by a physician chosen and
 43-52 compensated by the board and shall submit to further examination as
 43-53 the board may require. If a retired member refuses to submit to an
 43-54 examination, the board shall [~~may~~] order the payments stopped. If a
 43-55 retired member who has been receiving a disability pension under
 43-56 this section recovers so that in the opinion of the board the
 43-57 retired member is able to perform the usual and customary duties
 43-58 formerly performed for the police department, and the retired
 43-59 member is reinstated or offered reinstatement to the position, or
 43-60 hired by another law enforcement agency to a comparable position
 43-61 [~~reasonably comparable in rank and responsibility to the position,~~
 43-62 held at the time of separation from service], the board shall order
 43-63 the member's disability pension stopped. A member may apply for a
 43-64 normal pension benefit, if eligible, if the member's disability
 43-65 benefit payments are stopped by the board under this subsection.

43-66 (i) Effective for payments that become due after April 30,
 43-67 2000, and instead of the disability benefit provided by Subsection
 43-68 (a) or [~~7~~] (b) [~~7~~ ~~or~~ (h)] of this section, a member who suffers a
 43-69 catastrophic injury shall receive a monthly benefit equal to 100

44-1 percent of the member's final average [~~total direct~~] pay determined
44-2 as of the date of retirement, and the member's DROP balance, if any.

44-3 (l) A disability pension may not be paid to a member for any
44-4 disability if:

44-5 (1) the disability resulted from an intentionally
44-6 self-inflicted injury or a chronic illness resulting from:

44-7 (A) an addiction by the member through a
44-8 protracted course of non-coerced ingestion of alcohol, narcotics,
44-9 or prescription drugs not prescribed to the member; or

44-10 (B) other substance abuse; or

44-11 (2) except as provided by Subsection (m) of this
44-12 section, the disability was a result of the member's commission of a
44-13 felony.

44-14 (m) The board may waive Subsection (l)(2) of this section if
44-15 the board determines that facts exist that mitigate denying the
44-16 member's application for a disability pension.

44-17 (n) A person who fraudulently applies for or receives a
44-18 disability pension may be subject to criminal and civil
44-19 prosecution.

44-20 SECTION 2.18. Section 16, Article 6243g-4, Revised
44-21 Statutes, is amended to read as follows:

44-22 Sec. 16. RIGHTS OF SURVIVORS. (a) For purposes of this
44-23 article, a marriage is considered to exist only if the couple is
44-24 lawfully married under the laws of a state, the District of
44-25 Columbia, a United States territory, or a foreign jurisdiction and
44-26 the marriage would be recognized as a marriage under the laws of at
44-27 least one state, possession, or territory of the United States,
44-28 regardless of domicile [~~marriage is recorded in the records of the~~
44-29 ~~recorder's office in the county in which the marriage ceremony was~~
44-30 ~~performed~~]. In the case of a common-law marriage, a marriage
44-31 declaration must be signed by the member and the member's
44-32 common-law spouse before a notary public or similar official and
44-33 recorded in the records of the applicable jurisdiction [~~county~~
44-34 ~~clerk's office in the county~~] in which the couple resides at the
44-35 commencement of the marriage. In addition, a marriage that is
44-36 evidenced by a declaration of common-law marriage signed before a
44-37 notary public or similar official after December 31, 1999, may not
44-38 be treated as effective earlier than the date on which it was signed
44-39 before the notary public or similar official.

44-40 (b) If a retired member dies after becoming eligible for
44-41 [~~entitled to~~] a service or disability pension, the board shall pay
44-42 an immediate monthly benefit as follows:

44-43 (1) to the surviving spouse for life, if there is a
44-44 surviving spouse, a sum equal to the pension that was being received
44-45 by the retired member at the time of death;

44-46 (2) to the guardian of any dependent child under 18
44-47 years of age or a child with a disability as long as the dependent
44-48 child complies with the definition of dependent child under Section
44-49 2(7) of this article [~~children~~], on behalf of the dependent child
44-50 [~~children~~], or directly to a dependent child described by Section
44-51 2(7)(B) of this article, and if there is no spouse eligible for
44-52 [~~entitled to~~] an allowance, the sum a surviving spouse would have
44-53 received, to be divided equally among all [~~the~~] dependent children
44-54 if there is more than one dependent child; or

44-55 (3) to any dependent parents for life if no spouse or
44-56 dependent child is eligible for [~~entitled to~~] an allowance, the sum
44-57 the spouse would have received, to be divided equally between the
44-58 two parents if there are two dependent parents.

44-59 (c) If an active [~~a~~] member of the pension system who has not
44-60 completed 20 [~~10~~] years of service in the police department is
44-61 killed or dies from any cause growing out of or in consequence of
44-62 any act clearly not in the actual performance of the member's
44-63 official duty, the member's surviving spouse, dependent child or
44-64 children, or dependent parent or parents are eligible [~~entitled~~]
44-65 to receive an immediate benefit. The benefit is computed in the same
44-66 manner as a service retirement pension but is based on the deceased
44-67 member's service and final average [~~total direct~~] pay at the time of
44-68 death. The monthly benefit may not be less than:

44-69 (1) 27.5 percent of the member's final average [~~total~~

45-1 ~~direct~~] pay for members hired before October 9, 2004, including a
 45-2 member who involuntarily separated from service but has been
 45-3 retroactively reinstated under arbitration, civil service, or a
 45-4 court ruling; or

45-5 (2) 22.5 percent of the member's final average pay for
 45-6 members hired or rehired on or after October 9, 2004.

45-7 (e) If any active member is killed or dies from any cause
 45-8 growing out of or in consequence of the performance of the member's
 45-9 duty, the member's surviving spouse, dependent child or children,
 45-10 or dependent parent or parents are eligible ~~[entitled]~~ to receive
 45-11 immediate benefits computed in accordance with Subsection (b) of
 45-12 this section, except that the benefit ~~[payable to the spouse, or to~~
 45-13 ~~the guardian of the dependent child or children if there is no~~
 45-14 ~~surviving spouse, or the dependent parent or parents if there is no~~
 45-15 ~~surviving spouse or dependent child,~~] is equal to 100 percent of the
 45-16 member's final average ~~[total direct]~~ pay, computed as of the date
 45-17 of death.

45-18 (f) A surviving spouse who receives a survivor's benefit
 45-19 under this article is eligible ~~[entitled]~~ to receive an additional
 45-20 amount each month equal to \$150, beginning with the later of the
 45-21 date the first payment of the survivor's benefit is due or the date
 45-22 the first monthly payment becomes due after June 18, 2001, and
 45-23 continuing until the end of the month in which the surviving spouse
 45-24 dies.

45-25 (g) A surviving spouse or dependent who becomes eligible to
 45-26 receive benefits with respect to an active member who was hired or
 45-27 rehired before October 9, 2004, who dies in active service after
 45-28 November 23, 1998, is eligible ~~[entitled]~~ to receive a one-time
 45-29 lump-sum payment of \$5,000 at the time the first monthly pension
 45-30 benefit is paid, if the member has not already received a \$5,000
 45-31 lump-sum payment under Section 12 or 15(c) of this article. If more
 45-32 than one dependent is eligible to receive a payment under this
 45-33 subsection, the \$5,000 shall be divided equally among the eligible
 45-34 dependents. This payment has no effect on the amount of the
 45-35 surviving spouse's or dependents' monthly pension and may not be
 45-36 paid more than once.

45-37 (h) The monthly benefits of surviving spouses or dependents
 45-38 provided under this section, except the \$150 monthly payments
 45-39 described by Subsection (f) of this section, shall be increased
 45-40 annually at the same time and by the same percentage as the pensions
 45-41 of retired members are increased in accordance with Section 12(c)
 45-42 or 12(c-1) of this article. Also, for any year in which a 13th
 45-43 payment is made pursuant to Section 12(e) of this article, a 13th
 45-44 payment, computed in the same manner and subject to the same
 45-45 conditions, shall also be made to the survivor ~~[survivors]~~ who is
 45-46 eligible ~~[are entitled]~~ to receive death benefits at that time if
 45-47 the member would have been entitled to a 13th payment, if living.

45-48 (i) If a member or individual receiving a survivor's pension
 45-49 dies before monthly payments have been made for at least five years,
 45-50 leaving no person otherwise eligible ~~[entitled]~~ to receive further
 45-51 monthly payments with respect to the member, the monthly payments
 45-52 shall continue to be made ~~[to the designated beneficiary of the~~
 45-53 ~~member or survivor, or to the estate of the member or survivor if a~~
 45-54 ~~beneficiary was not designated,~~] in the same amount as the last
 45-55 monthly payment made to the member or ~~[r]~~ survivor ~~[, or estate,~~
 45-56 until payments have been made for five years with respect to the
 45-57 member. The payments shall be made to the spouse of the member, if
 45-58 living, and if no spouse is living, to the natural or adopted
 45-59 children of the member, to be divided equally among the children if
 45-60 the member has more than one child. If the member has no spouse or
 45-61 children who are living, the benefit may not be paid. If the member
 45-62 dies after becoming eligible to receive benefits [vested] but
 45-63 before payments begin, leaving no survivors eligible for benefits,
 45-64 the amount of each monthly payment over the five-year period shall
 45-65 be the same as the monthly payment the member would have received if
 45-66 the member had taken disability retirement on the date of the
 45-67 member's death and shall be paid to the member's spouse or children
 45-68 in the manner provided by this subsection. If the member has no
 45-69 spouse or children who are living, then the benefit may not be paid

46-1 ~~[A member may designate a beneficiary in lieu of the member's estate~~
 46-2 ~~to receive the remaining payments in the event the member and all~~
 46-3 ~~survivors die before payments have been received for five years].~~
 46-4 The member's estate or a beneficiary who is not a survivor or
 46-5 dependent is not eligible ~~[entitled]~~ to receive the payment
 46-6 described by Subsection (g) of this section.

46-7 (j) A benefit payment made in accordance with this section
 46-8 on behalf of a minor or other person under a legal disability fully
 46-9 discharges the pension system's obligation to that person.

46-10 (k) A retired member or surviving spouse may designate a
 46-11 beneficiary on a form prescribed by the pension system to receive
 46-12 the final monthly payment owed but not received before the member's
 46-13 or surviving spouse's death.

46-14 (l) The board may at any time require a person receiving
 46-15 death benefits as a disabled child under this article to undergo a
 46-16 medical examination by a physician appointed or selected by the
 46-17 board for that purpose.

46-18 SECTION 2.19. Section 16A, Article 6243g-4, Revised
 46-19 Statutes, is amended to read as follows:

46-20 Sec. 16A. BENEFICIARY DESIGNATION FOR DROP. (a) Except
 46-21 for the marriage requirement described by Section 16(a) of this
 46-22 article, the [The] provisions of Section 16 of this article
 46-23 pertaining to rights of survivors do not apply to an amount held in
 46-24 a member's DROP account. A member who participates in DROP may
 46-25 designate a beneficiary in the form and manner prescribed by or on
 46-26 behalf of the board to receive the balance of the member's DROP
 46-27 account in the event of the member's death, as permitted by Section
 46-28 401(a)(9) of the code and the board's policies. A member who is
 46-29 married is considered to have designated the member's spouse as the
 46-30 member's beneficiary unless the spouse consents, in a notarized
 46-31 writing delivered to the board, to the designation of another
 46-32 person as beneficiary. If no designated beneficiary survives the
 46-33 member, the board shall [may] pay the balance of the member's DROP
 46-34 account to the member's beneficiaries in the following order:

46-35 (1) to the member's spouse;

46-36 (2) if the member does not have a spouse, to each
 46-37 natural or adopted child of the member, or to the guardian of the
 46-38 child if the child is a minor or has a disability, in equal shares;

46-39 (3) if the member does not have a spouse or any
 46-40 children, to each surviving parent of the member in equal shares; or

46-41 (4) if the member has no beneficiaries described by
 46-42 Subdivisions (1), (2), and (3) of this subsection, to the estate of
 46-43 the member.

46-44 (b) If a member names a spouse as a beneficiary and is
 46-45 subsequently divorced from that spouse, the divorce voids the
 46-46 designation of the divorced spouse as the member's beneficiary. A
 46-47 designation of a divorced spouse will cause the board to pay any
 46-48 balance remaining in the member's DROP account in the order
 46-49 prescribed by Subsection (a) of this section.

46-50 (c) The surviving spouse may designate a beneficiary on a
 46-51 form prescribed by the pension system to receive the balance of the
 46-52 DROP account owed but not received before the surviving spouse's
 46-53 death.

46-54 (d) Payment of the balance of the member's DROP account made
 46-55 in accordance with this section on behalf of a minor or other person
 46-56 under a legal disability fully discharges the pension system's
 46-57 obligation to that person.

46-58 SECTION 2.20. Section 17, Article 6243g-4, Revised
 46-59 Statutes, is amended by amending Subsections (b), (d), and (e) and
 46-60 adding Subsection (i) to read as follows:

46-61 (b) A member of the pension system who has not completed 20
 46-62 years of service at the time of separation from service with the
 46-63 police department is eligible for ~~[entitled to]~~ a refund of the
 46-64 total of the contributions the member made to the pension system,
 46-65 plus any amount that was contributed for the member by the city and
 46-66 not applied in accordance with this section to provide the member
 46-67 with 10 years of service. The refund does not include interest, and
 46-68 neither the city nor the member is eligible for ~~[entitled to]~~ a
 46-69 refund of the contributions the city made on the member's behalf,

47-1 except as expressly provided by this subsection. By receiving the
 47-2 refund, the member forfeits any service earned before separation
 47-3 from service, even if it is otherwise nonforfeitable.

47-4 (d) A member must apply to the board for a refund within one
 47-5 year after the date of separation from service. Failure to apply
 47-6 for the refund within the one-year period results in a forfeiture of
 47-7 the right to the refund except for an inactive member who is
 47-8 eligible for a pension [~~whose right to a pension is~~
 47-9 ~~nonforfeitable~~]. However, the board may reinstate any amount
 47-10 forfeited and allow the refund on application by the former member.

47-11 (e) Heirs, executors, administrators, personal
 47-12 representatives, or assignees are not eligible [~~entitled~~]
 47-13 for and receive the refund authorized by this section [~~except as~~
 47-14 ~~provided by Section 16(c) of this article~~].

47-15 (i) Former members reemployed on or after October 9, 2004,
 47-16 or current members who left service after October 9, 2004, if
 47-17 reemployed by the city, may purchase prior service credit at a rate
 47-18 of interest equal to 2.25 percent per year. Active members hired
 47-19 before October 9, 2004, who have not yet purchased prior service
 47-20 credit or members hired before October 9, 2004, who involuntarily
 47-21 separated from service but have been retroactively reinstated under
 47-22 arbitration, civil service, or a court ruling may purchase prior
 47-23 service credit at a rate of interest equal to 2.75 percent per year.
 47-24 The board may adopt rules necessary to implement this section.

47-25 SECTION 2.21. Section 18(a), Article 6243g-4, Revised
 47-26 Statutes, is amended to read as follows:

47-27 (a) Except as provided by this section:

47-28 (1) credit may not be allowed to any person for service
 47-29 with any department in the city other than the police department;
 47-30 [~~and~~]

47-31 (2) a person's service will be computed from the date
 47-32 of entry into the service of the police department as a classified
 47-33 police officer until the date of separation from service with the
 47-34 police department; and

47-35 (3) a member who received service credit for service
 47-36 with any department in the city other than the police department and
 47-37 who is receiving a monthly pension benefit or who began
 47-38 participation in DROP before the year 2017 effective date shall
 47-39 continue to have the service credit apply.

47-40 SECTION 2.22. Sections 19(b) and (d), Article 6243g-4,
 47-41 Revised Statutes, are amended to read as follows:

47-42 (b) A person who rejoins the pension system under this
 47-43 section is eligible [~~entitled~~] to receive service credit for each
 47-44 day of service and work performed by the person in a classified
 47-45 position in the police department, except for any period during
 47-46 which the person is a DROP participant. The board shall add service
 47-47 earned after the transfer to the prior service the active member
 47-48 accrued in a classified position in the police department.
 47-49 However, the active member may not receive service credit under
 47-50 this article, except to the extent provided by Section 18, for
 47-51 service performed for the city other than in a classified position
 47-52 in the police department.

47-53 (d) When a member who has transferred as described by this
 47-54 section subsequently retires, the retired member is eligible for
 47-55 [~~entitled to~~] a pension computed on the basis of the combined
 47-56 service described by Subsection (b) of this section, after
 47-57 deducting any period in which the member was suspended from duty
 47-58 without pay, on leave of absence without pay, separated from
 47-59 service, or employed by the city in a capacity other than in a
 47-60 classified position in the police department.

47-61 SECTION 2.23. Section 21, Article 6243g-4, Revised
 47-62 Statutes, is amended to read as follows:

47-63 Sec. 21. DETERMINATION OF BENEFITS; PROVISION OF
 47-64 INFORMATION. (a) The board may require any member, survivor, or
 47-65 other person or entity to furnish information the board requires
 47-66 for the determination of benefits under this article. If a person
 47-67 or entity does not cooperate in the furnishing or obtaining of
 47-68 information required as provided by this section, the board may
 47-69 withhold payment of the pension or other benefits dependent on the

48-1 information.
 48-2 (b) The city, not later than the 14th day after the date the
 48-3 city receives a request by or on behalf of the board, shall, unless
 48-4 otherwise prohibited by law, supply the pension system with
 48-5 personnel, payroll, and financial records in the city's possession
 48-6 that the pension system determines necessary to provide pension
 48-7 administrative and fiduciary services under this section, to
 48-8 establish beneficiaries' eligibility for any benefit, or to
 48-9 determine a member's credited service or the amount of any
 48-10 benefits, including disability benefits, and such other
 48-11 information the pension system may need, including:

48-12 (1) information needed to verify service, including
 48-13 the following information:

48-14 (A) the date a person is sworn in to a position;

48-15 (B) the days a person is under suspension;

48-16 (C) the days a person is absent without pay,
 48-17 including the days a person is on maternity leave;

48-18 (D) the date of a person's termination from
 48-19 employment; and

48-20 (E) the date of a person's reemployment with the
 48-21 city;

48-22 (2) medical records;

48-23 (3) workers' compensation records and pay information;

48-24 (4) payroll information;

48-25 (5) information needed to verify whether a member is
 48-26 on military leave; and

48-27 (6) information regarding phase-down participants,
 48-28 including information related to entry date and phase-down plan.

48-29 (c) The city shall provide any information that may be
 48-30 reasonably necessary to enable the pension system to comply with
 48-31 administrative services the pension system performs for the city as
 48-32 reasonably necessary to obtain any ruling or determination letter
 48-33 from the Internal Revenue Service.

48-34 (d) The information provided by the city shall be
 48-35 transmitted to the pension system electronically in a format
 48-36 specified by the pension system, to the extent available to the
 48-37 city, or in writing if so requested on behalf of the pension system.

48-38 (e) The pension system shall determine each member's
 48-39 credited service and pension benefits on the basis of the personnel
 48-40 and financial records of the city and the records of the pension
 48-41 system.

48-42 SECTION 2.24. Section 23, Article 6243g-4, Revised
 48-43 Statutes, is amended to read as follows:

48-44 Sec. 23. MEMBERS IN MILITARY SERVICE. (a) A member of the
 48-45 pension system engaged in active service in a uniformed service may
 48-46 not be required to make the monthly payments into the fund and may
 48-47 not lose any previous years' service with the city because of the
 48-48 uniformed service. The uniformed service shall count as continuous
 48-49 service in the police department if the member returns to the city
 48-50 police department after discharge from the uniformed service as an
 48-51 employee within the period required by the Uniformed Services
 48-52 Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section
 48-53 4301 et seq.), as amended, and the uniformed service does not exceed
 48-54 the period for which a person is eligible [~~entitled~~] to have service
 48-55 counted pursuant to that Act. Notwithstanding any other provision
 48-56 of this article, contributions and benefits shall be paid and
 48-57 qualified service for military service shall be determined in
 48-58 compliance with Section 414(u) of the code.

48-59 (b) The city is required to make its payments into the fund
 48-60 on behalf of each member while the member is engaged in a uniformed
 48-61 service. If a member who has less than 10 years of service in the
 48-62 pension system dies directly or indirectly as a result of the
 48-63 uniformed service, and without returning to active service, the
 48-64 spouse, dependent children, dependent parent, or estate of the
 48-65 member is eligible [~~entitled~~] to receive a benefit in the same
 48-66 manner as described by Section 16(c) of this article.

48-67 SECTION 2.25. Section 24(b), Article 6243g-4, Revised
 48-68 Statutes, is amended to read as follows:

48-69 (b) Payments due on behalf of a dependent child shall be

49-1 paid to the dependent child's guardian, if any, or if none to the
 49-2 person with whom the dependent child is living, except that the
 49-3 board may make payments directly to a dependent child in an
 49-4 appropriate case and withhold payments otherwise due on behalf of
 49-5 any person if the board has reason to believe the payments are not
 49-6 being applied on behalf of the person eligible ~~[entitled]~~ to
 49-7 receive them. The board may request a court of competent
 49-8 jurisdiction to appoint a person to receive and administer the
 49-9 payments due to any dependent child or person under a disability.

49-10 SECTION 2.26. Section 25, Article 6243g-4, Revised
 49-11 Statutes, is amended by amending Subsections (b), (c), (d), (g),
 49-12 and (h) and adding Subsections (c-1) and (h-1) through (h-13) to
 49-13 read as follows:

49-14 (b) A member or survivor of a member of the pension system
 49-15 may not accrue a retirement pension, disability retirement
 49-16 allowance, death benefit allowance, DROP benefit, or any other
 49-17 benefit under this article in excess of the benefit limits
 49-18 applicable to the fund under Section 415 of the code. The board
 49-19 shall reduce the amount of any benefit that exceeds those limits by
 49-20 the amount of the excess. If total benefits under this fund and the
 49-21 benefits and contributions to which any member is eligible
 49-22 ~~[entitled]~~ under any other qualified plans maintained by the city
 49-23 that employs the member would otherwise exceed the applicable
 49-24 limits under Section 415 of the code, the benefits the member would
 49-25 otherwise receive from the fund shall be reduced to the extent
 49-26 necessary to enable the benefits to comply with Section 415.

49-27 (c) Subject to Subsection (c-1) of this section, any [Any]
 49-28 distributee [member or survivor] who receives [any distribution
 49-29 that is] an eligible rollover distribution [as defined by Section
 49-30 402(c)(4) of the code] is eligible [entitled] to have that
 49-31 distribution transferred directly to another eligible retirement
 49-32 plan of the distributee's [member's or survivor's] choice on
 49-33 providing direction to the pension system regarding that transfer
 49-34 in accordance with procedures established by the board.

49-35 (c-1) For purposes of Subsection (c) of this section:

49-36 (1) "Direct rollover" means a payment by the plan to
 49-37 the eligible retirement plan specified by the distributee.

49-38 (2) "Distributee" means a member or a member's
 49-39 surviving spouse or non-spouse designated beneficiary or a member's
 49-40 spouse or former spouse who is the alternate payee under a qualified
 49-41 domestic relations order with regard to the interest of the spouse
 49-42 or former spouse.

49-43 (3) "Eligible retirement plan" means:
 49-44 (A) an individual retirement account as defined
 49-45 by Section 408(a) of the code;

49-46 (B) an individual retirement annuity as defined
 49-47 by Section 408(b) of the code;

49-48 (C) an annuity plan as described by Section
 49-49 403(a) of the code;

49-50 (D) an eligible deferred compensation plan as
 49-51 defined by Section 457(b) of the code that is maintained by an
 49-52 eligible employer as described by Section 457(e)(1)(A) of the code;

49-53 (E) an annuity contract as described by Section
 49-54 403(b) of the code;

49-55 (F) a qualified trust as described by Section
 49-56 401(a) of the code that accepts the distributee's eligible rollover
 49-57 distribution; and

49-58 (G) in the case of an eligible rollover
 49-59 distribution, for a designated beneficiary that is not the
 49-60 surviving spouse, a spouse, or a former spouse who is an alternate
 49-61 payee under a qualified domestic relations order, an eligible
 49-62 retirement plan means only an individual retirement account or
 49-63 individual retirement annuity that is established for the purpose
 49-64 of receiving the distribution on behalf of the beneficiary.

49-65 (4) "Eligible rollover distribution" means any
 49-66 distribution of all or any portion of the balance to the credit of
 49-67 the distributee, except that an eligible rollover distribution does
 49-68 not include:

49-69 (A) any distribution that is one of a series of

50-1 substantially equal periodic payments, not less frequently than
 50-2 annually, made for life or life expectancy of the distributee or the
 50-3 joint lives or joint life expectancies of the distributee and the
 50-4 distributee's designated beneficiary or for a specified period of
 50-5 10 years or more;

50-6 (B) any distribution to the extent the
 50-7 distribution is required under Section 401(a)(9) of the code; or

50-8 (C) any distribution that is made on hardship of
 50-9 the employee.

50-10 (d) The annual compensation for each member [~~total salary~~]
 50-11 taken into account for any purpose under this article [~~for any~~
 50-12 ~~member of the pension system~~] may not exceed \$200,000 for any year
 50-13 for an eligible participant, or for years beginning after 2001 for
 50-14 an ineligible participant, or \$150,000 a year before 2001 for an
 50-15 ineligible participant. These dollar limits shall be adjusted from
 50-16 time to time in accordance with guidelines provided by the United
 50-17 States secretary of the treasury and must comply with Section
 50-18 401(a)(17) of the code. For purposes of this subsection, an
 50-19 eligible participant is a person who first became an active member
 50-20 before 1996, and an ineligible participant is a member who is not an
 50-21 eligible participant.

50-22 (g) Distribution of benefits must begin not later than April
 50-23 1 of the year following the calendar year during which the member
 50-24 eligible for [~~entitled to~~] the benefits becomes 70-1/2 years of age
 50-25 or terminates employment with the employer, whichever is later, and
 50-26 must otherwise conform to Section 401(a)(9) of the code.

50-27 (h) For purposes of adjusting any benefit due to the
 50-28 limitations prescribed by Section 415 of the code, the following
 50-29 provisions shall apply:

50-30 (1) the 415(b) limitation with respect to any member
 50-31 who at any time has been a member in any other defined benefit plan
 50-32 as defined in Section 414(j) of the code maintained by the city
 50-33 shall apply as if the total benefits payable under all the defined
 50-34 benefit plans in which the member has been a member were payable
 50-35 from one plan; and

50-36 (2) the 415(c) limitation with respect to any member
 50-37 who at any time has been a member in any other defined contribution
 50-38 plan as defined in Section 414(i) of the code maintained by the city
 50-39 shall apply as if the total annual additions under all such defined
 50-40 contribution plans in which the member has been a member were
 50-41 payable from one plan.

50-42 (h-1) For purposes of adjusting any benefit due to the
 50-43 limitations prescribed by Section 415(b) of the code, the following
 50-44 provisions shall apply:

50-45 (1) before January 1, 1995, a member may not receive an
 50-46 annual benefit that exceeds the limits specified in Section 415(b)
 50-47 of the code, subject to the applicable adjustments in that section;

50-48 (2) on and after January 1, 1995, a member may not
 50-49 receive an annual benefit that exceeds the dollar amount specified
 50-50 in Section 415(b)(1)(A) of the code, subject to the applicable
 50-51 adjustments in Section 415(b) of the code and subject to any
 50-52 additional limits that may be specified in the pension system;

50-53 (3) in no event may a member's annual benefit payable
 50-54 under the pension system, including any DROP benefits, in any
 50-55 limitation year be greater than the limit applicable at the annuity
 50-56 starting date, as increased in subsequent years pursuant to Section
 50-57 415(d) of the code, including regulations adopted under that
 50-58 section; and

50-59 (4) the "annual benefit" means a benefit payable
 50-60 annually in the form of a straight life annuity, with no ancillary
 50-61 benefits, without regard to the benefit attributable to any
 50-62 after-tax employee contributions, unless attributable under
 50-63 Section 415(n) of the code, and to rollover contributions as
 50-64 defined in Section 415(b)(2)(A) of the code. For purposes of this
 50-65 subdivision, the "benefit attributable" shall be determined in
 50-66 accordance with applicable federal regulations.

50-67 (h-2) For purposes of adjustments to the basic limitation
 50-68 under Section 415(b) of the code in the form of benefits, the
 50-69 following provisions apply:

51-1 (1) if the benefit under the pension system is other
 51-2 than the form specified in Subsections (h-1)(1)-(3) of this
 51-3 section, including DROP benefits, the benefit shall be adjusted so
 51-4 that it is the equivalent of the annual benefit, using factors
 51-5 prescribed in applicable federal regulations; and

51-6 (2) if the form of benefit without regard to the
 51-7 automatic benefit increase feature is not a straight life annuity
 51-8 or a qualified joint and survivor annuity, Subdivision (1) of this
 51-9 subsection is applied by either reducing the limit under Section
 51-10 415(b) of the code applicable at the annuity starting date or
 51-11 adjusting the form of benefit to an actuarially equivalent amount
 51-12 determined by using the assumptions specified in Treasury
 51-13 Regulation Section 1.415(b)-1(c)(2)(ii) that takes into account
 51-14 the additional benefits under the form of benefit as follows:

51-15 (A) for a benefit paid in a form to which Section
 51-16 417(e)(3) of the code does not apply, the actuarially equivalent
 51-17 straight life annuity benefit that is the greater of:

51-18 (i) the annual amount of the straight life
 51-19 annuity, if any, payable to the member under the pension system
 51-20 commencing at the same annuity starting date as the form of benefit
 51-21 to the member or the annual amount of the straight life annuity
 51-22 commencing at the same annuity starting date that has the same
 51-23 actuarial present value as the form of benefit payable to the
 51-24 member, computed using a five percent interest assumption or the
 51-25 applicable statutory interest assumption; and

51-26 (ii) for years prior to January 1, 2009, the
 51-27 applicable mortality tables described in Treasury Regulation
 51-28 Section 1.417(e)-1(d)(2), and for years after December 31, 2008,
 51-29 the applicable mortality tables described in Section 417(e)(3)(B)
 51-30 of the code; or

51-31 (B) for a benefit paid in a form to which Section
 51-32 417(e)(3) of the code applies, the actuarially equivalent straight
 51-33 life annuity benefit that is the greatest of:

51-34 (i) the annual amount of the straight life
 51-35 annuity commencing at the annuity starting date that has the same
 51-36 actuarial present value as the particular form of benefit payable,
 51-37 computed using the interest rate and mortality table, or tabular
 51-38 factor, specified in the plan for actuarial experience;

51-39 (ii) the annual amount of the straight life
 51-40 annuity commencing at the annuity starting date that has the same
 51-41 actuarial present value as the particular form of benefit payable,
 51-42 computed using a 5.5 percent interest assumption or the applicable
 51-43 statutory interest assumption, and for years prior to January 1,
 51-44 2009, the applicable mortality tables for the distribution under
 51-45 Treasury Regulation Section 1.417(e)-1(d)(2), and for years after
 51-46 December 31, 2008, the applicable mortality tables described in
 51-47 Section 417(e)(3)(B) of the code; or

51-48 (iii) the annual amount of the straight
 51-49 life annuity commencing at the annuity starting date that has the
 51-50 same actuarial present value as the particular form of benefit
 51-51 payable computed using the applicable interest rate for the
 51-52 distribution under Treasury Regulation Section 1.417(e)-1(d)(3)
 51-53 using the rate in effect for the month prior to retirement before
 51-54 January 1, 2017, and using the rate in effect for the first day of
 51-55 the plan year with a one-year stabilization period on and after
 51-56 January 1, 2017, and for years prior to January 1, 2009, the
 51-57 applicable mortality tables for the distribution under Treasury
 51-58 Regulation Section 1.417(e)-1(d)(2), and for years after December
 51-59 31, 2008, the applicable mortality tables described in Section
 51-60 417(e)(3)(B) of the code, divided by 1.05.

51-61 (h-3) The pension system actuary may adjust the limitation
 51-62 under Section 415(b) of the code at the annuity starting date in
 51-63 accordance with Subsections (h-1) and (h-2) of this section.

51-64 (h-4) The following are benefits for which no adjustment of
 51-65 the limitation in Section 415(b) of the code is required:

51-66 (1) any ancillary benefit that is not directly related
 51-67 to retirement income benefits;

51-68 (2) the portion of any joint and survivor annuity that
 51-69 constitutes a qualified joint and survivor annuity; and

52-1 (3) any other benefit not required under Section
 52-2 415(b)(2) of the code and regulations adopted under that section to
 52-3 be taken into account for purposes of the limitation of Section
 52-4 415(b)(1) of the code.

52-5 (h-5) The following provisions apply to other adjustments
 52-6 of the limitation under Section 415(b) of the code:

52-7 (1) in the event the member's pension benefits become
 52-8 payable before the member attains 62 years of age, the limit
 52-9 prescribed by this section shall be reduced in accordance with
 52-10 federal regulations adopted under Section 415(b) of the code, so
 52-11 that that limit, as reduced, equals an annual straight life annuity
 52-12 benefit when the retirement income benefit begins, that is
 52-13 equivalent to a \$160,000, as adjusted, annual benefit beginning at
 52-14 62 years of age;

52-15 (2) in the event the member's benefit is based on at
 52-16 least 15 years of service as a full-time employee of any police or
 52-17 fire department or on 15 years of military service, in accordance
 52-18 with Sections 415(b)(2)(G) and (H) of the code, the adjustments
 52-19 provided for in Subdivision (1) of this section may not apply; and

52-20 (3) in accordance with Section 415(b)(2)(I) of the
 52-21 code, the reductions provided for in Subdivision (1) of this
 52-22 section may not be applicable to preretirement disability benefits
 52-23 or preretirement death benefits.

52-24 (h-6) The following provisions of this subsection govern
 52-25 adjustment of the defined benefit dollar limitation for benefits
 52-26 commenced after 65 years of age:

52-27 (1) if the annuity starting date for the member's
 52-28 benefit is after 65 years of age and the pension system does not
 52-29 have an immediately commencing straight life annuity payable at
 52-30 both 65 years of age and the age of benefit commencement, the
 52-31 defined benefit dollar limitation at the member's annuity starting
 52-32 date is the annual amount of a benefit payable in the form of a
 52-33 straight life annuity commencing at the member's annuity starting
 52-34 date that is the actuarial equivalent of the defined benefit dollar
 52-35 limitation, with actuarial equivalence computed using a five
 52-36 percent interest rate assumption and the applicable mortality table
 52-37 for that annuity starting date as defined in Section 417(e)(3)(B)
 52-38 of the code, expressing the member's age based on completed
 52-39 calendar months as of the annuity starting date;

52-40 (2) if the annuity starting date for the member's
 52-41 benefit is after age 65, and the pension system has an immediately
 52-42 commencing straight life annuity payable at both 65 years of age and
 52-43 the age of benefit commencement, the defined benefit dollar
 52-44 limitation at the member's annuity starting date is the lesser of
 52-45 the limitation determined under Subdivision (1) of this section and
 52-46 the defined benefit dollar limitation multiplied by the ratio of
 52-47 the annual amount of the adjusted immediately commencing straight
 52-48 life annuity under the pension system at the member's annuity
 52-49 starting date to the annual amount of the adjusted immediately
 52-50 commencing straight life annuity under the pension system at 65
 52-51 years of age, both determined without applying the limitations of
 52-52 this subsection; and

52-53 (3) notwithstanding the other requirements of this
 52-54 section:

52-55 (A) no adjustment shall be made to reflect the
 52-56 probability of a member's death between the annuity starting date
 52-57 and 62 years of age, or between 65 years of age and the annuity
 52-58 starting date, as applicable, if benefits are not forfeited on the
 52-59 death of the member prior to the annuity starting date; and

52-60 (B) to the extent benefits are forfeited on death
 52-61 before the annuity starting date, the adjustment shall be made, and
 52-62 for this purpose no forfeiture shall be treated as occurring on the
 52-63 member's death if the pension system does not charge members for
 52-64 providing a qualified preretirement survivor annuity, as defined in
 52-65 Section 417(c) of the code, on the member's death.

52-66 (h-7) For the purpose of Subsection (h-6)(2) of this
 52-67 section, the adjusted immediately commencing straight life annuity
 52-68 under the pension system at the member's annuity starting date is
 52-69 the annual amount of such annuity payable to the member, computed

53-1 disregarding the member's accruals after 65 years of age but
 53-2 including actuarial adjustments even if those actuarial
 53-3 adjustments are used to offset accruals, and the adjusted
 53-4 immediately commencing straight life annuity under the pension
 53-5 system at 65 years of age is the annual amount of the annuity that
 53-6 would be payable under the pension system to a hypothetical member
 53-7 who is 65 years of age and has the same accrued benefit as the
 53-8 member.

53-9 (h-8) The maximum pension benefits payable to any member who
 53-10 has completed less than 10 years of participation shall be the
 53-11 amount determined under Subsection (h-1) of this section, as
 53-12 adjusted under Subsection (h-2) or (h-5) of this section,
 53-13 multiplied by a fraction, the numerator of which is the number of
 53-14 the member's years of participation and the denominator of which is
 53-15 10. The limit under Subsection (h-9) of this section concerning the
 53-16 \$10,000 limit shall be similarly reduced for any member who has
 53-17 accrued less than 10 years of service, except the fraction shall be
 53-18 determined with respect to years of service instead of years of
 53-19 participation. The reduction provided by this subsection cannot
 53-20 reduce the maximum benefit below 10 percent of the limit determined
 53-21 without regard to this subsection. The reduction provided for in
 53-22 this subsection may not be applicable to preretirement disability
 53-23 benefits or preretirement death benefits.

53-24 (h-9) Notwithstanding Subsection (h-8) of this section, the
 53-25 pension benefit payable with respect to a member shall be deemed not
 53-26 to exceed the limit provided by Section 415 of the code if the
 53-27 benefits payable, with respect to such member under this pension
 53-28 system and under all other qualified defined benefit pension plans
 53-29 to which the city contributes, do not exceed \$10,000 for the
 53-30 applicable limitation year and for any prior limitation year and
 53-31 the city has not at any time maintained a qualified defined
 53-32 contribution plan in which the member participated.

53-33 (h-10) On and after January 1, 1995, for purposes of
 53-34 applying the limits under Section 415(b) of the code to a member's
 53-35 benefit paid in a form to which Section 417(e)(3) of the code does
 53-36 not apply, the following provisions apply:

53-37 (1) a member's applicable limit shall be applied to the
 53-38 member's annual benefit in the member's first limitation year
 53-39 without regard to any cost-of-living adjustments under Section 12
 53-40 of this article;

53-41 (2) to the extent that the member's annual benefit
 53-42 equals or exceeds the limit, the member shall no longer be eligible
 53-43 for cost-of-living increases until such time as the benefit plus
 53-44 the accumulated increases are less than the limit; and

53-45 (3) after the time prescribed by Subdivision (2) of
 53-46 this subsection, in any subsequent limitation year, a member's
 53-47 annual benefit, including any cost-of-living increases under
 53-48 Section 12 of this article, shall be tested under the applicable
 53-49 benefit limit, including any adjustment under Section 415(d) of the
 53-50 code to the dollar limit under Section 415(b)(1)(A) of the code, and
 53-51 the regulations under those sections.

53-52 (h-11) Any repayment of contributions, including interest
 53-53 on contributions, to the plan with respect to an amount previously
 53-54 refunded on a forfeiture of service credit under the plan or another
 53-55 governmental plan maintained by the pension system may not be taken
 53-56 into account for purposes of Section 415 of the code, in accordance
 53-57 with applicable federal regulations.

53-58 (h-12) Reduction of benefits or contributions to all plans,
 53-59 where required, shall be accomplished by:

53-60 (1) first, reducing the member's benefit under any
 53-61 defined benefit plans in which the member participated, with the
 53-62 reduction to be made first with respect to the plan in which the
 53-63 member most recently accrued benefits and then in the priority
 53-64 determined by the pension system and the plan administrator of such
 53-65 other plans; and

53-66 (2) next, reducing or allocating excess forfeitures
 53-67 for defined contribution plans in which the member participated,
 53-68 with the reduction to be made first with respect to the plan in
 53-69 which the member most recently accrued benefits and then in the

54-1 priority determined by the pension system and the plan
 54-2 administrator for such other plans.

54-3 (h-13) Notwithstanding Subsection (h-12) of this section,
 54-4 reductions may be made in a different manner and priority pursuant
 54-5 to the agreement of the pension system and the plan administrator of
 54-6 all other plans covering such member. [If the amount of any benefit
 54-7 is to be determined on the basis of actuarial assumptions that are
 54-8 not otherwise specifically set forth for that purpose in this
 54-9 article, the actuarial assumptions to be used are those earnings
 54-10 and mortality assumptions being used on the date of the
 54-11 determination by the pension system's actuary and approved by the
 54-12 board. The actuarial assumptions being used at any particular time
 54-13 shall be attached as an addendum to a copy of this article and
 54-14 treated for all purposes as a part of this article. The actuarial
 54-15 assumptions may be changed by the pension system's actuary at any
 54-16 time if approved by the board, but a change in actuarial assumptions
 54-17 may not result in any decrease in benefits accrued as of the
 54-18 effective date of the change.]

54-19 SECTION 2.27. Section 26(b)(3), Article 6243g-4, Revised
 54-20 Statutes, is amended to read as follows:

54-21 (3) "Maximum benefit" means the retirement benefit a
 54-22 retired member and the spouse, dependent child, or dependent parent
 54-23 of a retired member or deceased member or retiree are eligible
 54-24 ~~[entitled]~~ to receive from all qualified plans in any month after
 54-25 giving effect to Section 25(b) of this article and any similar
 54-26 provisions of any other qualified plans designed to conform to
 54-27 Section 415 of the code.

54-28 SECTION 2.28. Sections 26(c), (d), and (e), Article
 54-29 6243g-4, Revised Statutes, are amended to read as follows:

54-30 (c) An excess benefit participant who is receiving benefits
 54-31 from the pension system is eligible for ~~[entitled to]~~ a monthly
 54-32 benefit under this excess benefit plan in an amount equal to the
 54-33 lesser of:

54-34 (1) the member's unrestricted benefit less the maximum
 54-35 benefit; or

54-36 (2) the amount by which the member's monthly benefit
 54-37 from the fund has been reduced because of the limitations of Section
 54-38 415 of the code.

54-39 (d) If a spouse, dependent child, or dependent parent is
 54-40 eligible for ~~[entitled to]~~ preretirement or postretirement death
 54-41 benefits under a qualified plan after the death of an excess benefit
 54-42 participant, the surviving spouse, dependent child, or dependent
 54-43 parent is eligible for ~~[entitled to]~~ a monthly benefit under the
 54-44 excess benefit plan equal to the benefit determined in accordance
 54-45 with this article without regard to the limitations under Section
 54-46 25(b) of this article or Section 415 of the code, less the maximum
 54-47 benefit.

54-48 (e) Any benefit to which a person is eligible ~~[entitled]~~
 54-49 under this section shall be paid at the same time and in the same
 54-50 manner as the benefit would have been paid from the pension system
 54-51 if payment of the benefit from the pension system had not been
 54-52 precluded by Section 25(b) of this article. An excess benefit
 54-53 participant or any beneficiary may not, under any circumstances,
 54-54 elect to defer the receipt of all or any part of a payment due under
 54-55 this section.

54-56 SECTION 2.29. The heading to Section 27, Article 6243g-4,
 54-57 Revised Statutes, is amended to read as follows:

54-58 Sec. 27. CERTAIN WRITTEN AGREEMENTS BETWEEN PENSION SYSTEM
 54-59 AND CITY AUTHORIZED ~~[AGREEMENT TO CHANGE BENEFITS]~~.

54-60 SECTION 2.30. Section 27, Article 6243g-4, Revised
 54-61 Statutes, is amended by amending Subsection (b) and adding
 54-62 Subsection (c) to read as follows:

54-63 (b) A pension benefit or allowance provided by this article
 54-64 may be increased if the increase:

54-65 (1) is first approved by a qualified actuary selected
 54-66 by the board;

54-67 (2) is approved by the board and the city in a written
 54-68 agreement as authorized by this section; and

54-69 (3) does not deprive a member, without the member's

55-1 written consent, of a right to receive benefits when ~~[that have~~
55-2 ~~become fully vested and matured in]~~ the member is fully eligible.

55-3 (c) In a written agreement entered into between the city and
55-4 the board under this section, the parties may not fundamentally:

55-5 (1) alter Sections 9 through 9E of this article;
55-6 (2) increase the assumed rate of return to more than
55-7 seven percent per year;

55-8 (3) extend the amortization period of a liability
55-9 layer to more than 30 years from the first day of the fiscal year
55-10 beginning 12 months after the date of the risk sharing valuation
55-11 study in which the liability layer is first recognized; or

55-12 (4) allow a city contribution rate in any year that is
55-13 less than or greater than the city contribution rate required under
55-14 Section 9D or 9E of this article, as applicable.

55-15 SECTION 2.31. Section 29, Article 6243g-4, Revised
55-16 Statutes, is amended by adding Subsections (c), (d), (e), (f), and
55-17 (g) to read as follows:

55-18 (c) To carry out the provisions of Sections 9 through 9E of
55-19 this article, the board and the pension system shall provide the
55-20 city actuary under a confidentiality agreement the actuarial data
55-21 used by the pension system actuary for the pension system's
55-22 actuarial valuations or valuation studies and other data as agreed
55-23 to between the city and the pension system that the city actuary
55-24 determines is reasonably necessary for the city actuary to perform
55-25 the studies required by Sections 9A through 9E of this article.
55-26 Actuarial data described by this subsection does not include
55-27 information described by Subsection (a) of this section.

55-28 (d) A risk sharing valuation study prepared by either the
55-29 city actuary or the pension system actuary under Sections 9A
55-30 through 9E of this article may not:

55-31 (1) include information described by Subsection (a) of
55-32 this section; or

55-33 (2) provide confidential or private information
55-34 regarding specific individuals or be grouped in a manner that
55-35 allows confidential or private information regarding a specific
55-36 individual to be discerned.

55-37 (e) The information, data, and document exchanges under
55-38 Sections 9 through 9E of this article have all the protections
55-39 afforded by applicable law and are expressly exempt from the
55-40 disclosure requirements under Chapter 552, Government Code, except
55-41 as may be agreed to by the city and pension system in a written
55-42 agreement under Section 27 of this article.

55-43 (f) Subsection (e) of this section does not apply to final
55-44 risk sharing valuation studies prepared under Section 9A or 9B of
55-45 this article.

55-46 (g) Before a union contract is approved by the city, the
55-47 mayor of the city must cause the city actuaries to deliver to the
55-48 mayor a report estimating the impact of the proposed union contract
55-49 on fund costs.

55-50 SECTION 2.32. Article 6243g-4, Revised Statutes, is amended
55-51 by adding Section 30 to read as follows:

55-52 Sec. 30. FORFEITURE OF BENEFITS. (a) Notwithstanding any
55-53 other law, a member who is convicted, after exhausting all appeals,
55-54 of an offense punishable as a felony of the first degree in relation
55-55 to, arising out of, or in connection with the member's service as a
55-56 classified police officer may not receive any benefits under this
55-57 article.

55-58 (b) After the member described by Subsection (a) of this
55-59 section is finally convicted, the member's spouse may apply for
55-60 benefits if the member, but for application of Subsection (a) of
55-61 this section, would have been eligible for a pension benefit or a
55-62 delayed payment of benefits. If the member would not have been
55-63 eligible for a pension benefit or a delayed payment of benefits, the
55-64 member's spouse may apply for a refund of the member's
55-65 contributions. A refund under this subsection does not include
55-66 interest and does not include contributions the city made on the
55-67 member's behalf. The city may not receive a refund of any
55-68 contributions the city made on the member's behalf.

55-69 SECTION 2.33. Sections 2(19) and (23), 8(b), 12(f), 14(f)

56-1 and (m), 15(h) and (j), and 18(b) and (c), Article 6243g-4, Revised
 56-2 Statutes, are repealed.

56-3 SECTION 2.34. A city and board that have entered into one or
 56-4 more agreements under Section 27, Article 6243g-4, Revised
 56-5 Statutes, shall agree in writing as to the portions of such
 56-6 agreements that, as of the year 2017 effective date, shall remain in
 56-7 effect.

56-8 SECTION 2.35. Notwithstanding Section 2(3), Article
 56-9 6243g-4, Revised Statutes, as amended by this Act, the assumed rate
 56-10 of return for the fiscal year ending June 30, 2018, is seven percent
 56-11 per year for purposes of Article 6243g-4, Revised Statutes.

56-12 SECTION 2.36. The pension system established under Article
 56-13 6243g-4, Revised Statutes, shall require the pension system actuary
 56-14 to prepare the first actuarial experience study required under
 56-15 Section 9C, Article 6243g-4, Revised Statutes, as added by this
 56-16 Act, not later than September 30, 2022.

56-17 ARTICLE 3. MUNICIPAL EMPLOYEES PENSION SYSTEM

56-18 SECTION 3.01. Section 1, Chapter 88 (H.B. 1573), Acts of the
 56-19 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
 56-20 Texas Civil Statutes), is amended by amending Subdivisions (1),
 56-21 (5), (7), (14), (18), and (26) and adding Subdivisions (1-a),
 56-22 (1-b), (1-c), (1-d), (1-e), (1-f), (4-a), (4-b), (4-c), (4-d),
 56-23 (4-e), (4-f), (11-a), (11-b), (11-c), (11-d), (11-e), (11-f),
 56-24 (11-g), (11-h), (11-i), (12-a), (12-b), (14-a), (14-b), (15-a),
 56-25 (17-a), (18-a), (20-a), (21-a), (26-a), (26-b), (28), (29), (30),
 56-26 and (31) to read as follows:

56-27 (1) "Actuarial data" includes:
 56-28 (A) the census data, assumption tables,
 56-29 disclosure of methods, and financial information that are routinely
 56-30 used by the pension system actuary to prepare an actuarial
 56-31 valuation under Section 2B of this Act or an actuarial experience
 56-32 study under Section 8D of this Act; and

56-33 (B) any other data that is reasonably necessary
 56-34 to prepare a risk sharing valuation study under Section 8B or 8C of
 56-35 this Act.

56-36 (1-a) "Actuarial experience study" has the meaning
 56-37 assigned by Section 802.1014, Government Code.

56-38 (1-b) "Adjustment factor" means the assumed rate of
 56-39 return less two percent.

56-40 (1-c) "Amortization period" means the time period
 56-41 necessary to fully pay a liability layer.

56-42 (1-d) "Amortization rate" means the sum of the
 56-43 scheduled amortization payments less the city contribution amount
 56-44 for a given fiscal year for the liability layers divided by the
 56-45 projected pensionable payroll for the same fiscal year.

56-46 (1-e) "Assumed rate of return" means the assumed
 56-47 market rate of return on pension system assets.

56-48 (1-f) "Authorized absence" means:

56-49 (A) each day an employee is absent due to an
 56-50 approved holiday, vacation, accident, or sickness, if the employee
 56-51 is continued on the employment rolls of the city or the pension
 56-52 system, receives the employee's regular salary from the city or the
 56-53 pension system for each day of absence, and remains eligible to work
 56-54 on recovery or return; or

56-55 (B) any period that a person is on military leave
 56-56 of absence under Section 18(a) of this Act, provided the person
 56-57 complies with the requirements of that section.

56-58 (4-a) "City contribution amount" means the amount of
 56-59 city contributions made to the pension fund under Section
 56-60 8A(a)(1)(B) of this Act, if any.

56-61 (4-b) "City contribution rate" means, for a fiscal
 56-62 year, the rate at which a city makes contributions to the pension
 56-63 fund under Section 8A(a)(1)(A) of this Act.

56-64 (4-c) "Corridor" means the range of city contribution
 56-65 rates that are:

56-66 (A) equal to or greater than the minimum
 56-67 contribution rate; and

56-68 (B) equal to or less than the maximum
 56-69 contribution rate.

57-1 (4-d) "Corridor margin" means five percentage points.
 57-2 (4-e) "Corridor midpoint" means the estimated city
 57-3 contribution rate specified in the initial risk sharing valuation
 57-4 study under Section 8C of this Act, and as may be adjusted under
 57-5 Section 8E or 8F of this Act, and in each case rounded to the nearest
 57-6 hundredths decimal place.
 57-7 (4-f) "Cost-of-living adjustment percentage" means a
 57-8 percentage that:
 57-9 (A) except as provided by Paragraph (B) of this
 57-10 subdivision, is equal to the pension system's five-year investment
 57-11 return, based on a rolling five-year basis and net of investment
 57-12 expenses, minus the adjustment factor, and multiplied by 50
 57-13 percent; and
 57-14 (B) may not be less than zero or more than two
 57-15 percent.
 57-16 (5) "Credited service" means each day of service and
 57-17 prior service of a member for which:
 57-18 (A) the city [~~has~~] and [~~for service in group A,~~]
 57-19 the member ~~have~~ [~~has~~] made required contributions to the pension
 57-20 fund that were not subsequently withdrawn;
 57-21 (B) the member has purchased service credit or
 57-22 converted service credit from group B to group A by paying into the
 57-23 pension fund required amounts that were not subsequently withdrawn;
 57-24 (C) the member has reinstated service under
 57-25 Section 7(g) of this Act; and
 57-26 (D) the member has previously made payments to
 57-27 the pension fund that, under then existing provisions of law, make
 57-28 the member eligible for credit for the service and that were not
 57-29 subsequently withdrawn.
 57-30 (7) "Dependent child" means an unmarried natural or
 57-31 legally adopted child of a member, deferred participant, or retiree who:
 57-32 (A) was supported by the member, deferred
 57-33 participant, or retiree before the termination of employment of the
 57-34 member, deferred participant, or retiree; and
 57-35 (B) is under 21 years of age or is totally and
 57-36 permanently disabled from performing any full-time employment
 57-37 because of an injury, illness, serious mental illness, intellectual
 57-38 disability, or pervasive development disorder [~~or retardation~~]
 57-39 that began before the child became 18 years of age and before the
 57-40 termination of employment [~~death~~] of the member, deferred
 57-41 participant, or retiree.
 57-42 (11-a) "Employer normal cost rate" means the normal
 57-43 cost rate minus the member contribution rate for group D members
 57-44 under Section 8 of this Act. The present value of additional member
 57-45 contributions different from the group D rate taken into account
 57-46 for purposes of determining the employer normal cost rate must be
 57-47 applied toward the actuarial accrued liability.
 57-48 (11-b) "Estimated city contribution rate" means the
 57-49 city contribution rate determined in a risk sharing valuation study
 57-50 under Section 8B or 8C of this Act in accordance with Section
 57-51 8B(a)(3) of this Act.
 57-52 (11-c) "Fiscal year," except as provided by Section 1B
 57-53 of this Act, means a fiscal year beginning on July 1 and ending on
 57-54 June 30.
 57-55 (11-d) "Funded ratio" means the ratio of the pension
 57-56 system's actuarial value of assets divided by the pension system's
 57-57 actuarial accrued liability.
 57-58 (11-e) "Legacy liability" means the unfunded
 57-59 actuarial accrued liability:
 57-60 (A) for the fiscal year ending June 30, 2016,
 57-61 reduced to reflect:
 57-62 (i) changes to benefits or contributions
 57-63 under this Act;
 57-64 (ii) the deposit of pension obligation bond
 57-65 proceeds on or before December 31, 2017; and
 57-66 (iii) payments by the city and earnings at
 57-67 the assumed rate of return allocated to the legacy liability for the
 57-68 period between July 1, 2016, and July 1, 2017, excluding July 1,
 57-69 2017; and

(B) for each subsequent fiscal year:

(i) reduced by the city contribution amount for that year allocated to the amortization of the legacy liability; and

(ii) adjusted by the assumed rate of return.

(11-f) "Level percent of payroll method" means the amortization method that defines the amount of the liability layer recognized each fiscal year as a level percent of pensionable payroll until the amount of the liability layer remaining is reduced to zero.

(11-g) "Liability gain layer" means a liability layer that decreases the unfunded actuarial accrued liability.

(11-h) "Liability layer" means the unanticipated change as established in each risk sharing valuation study prepared under Section 8B or 8C of this Act, as applicable.

(11-i) "Liability loss layer" means a liability layer that increases the unfunded actuarial accrued liability. For purposes of this Act, the legacy liability is a liability loss layer.

(12-a) "Maximum contribution rate" means the rate equal to the corridor midpoint plus the corridor margin.

(12-b) "Minimum contribution rate" means the rate equal to the corridor midpoint minus the corridor margin.

(14) "Military service" means active service in the armed forces of the United States or wartime service in the armed forces of the United States or in the allied forces, if credit for military service has not been granted under any federal or other state system or used in any other retirement system, except as expressly required under federal law.

(14-a) "Normal cost rate" means the salary weighted average of the individual normal cost rates determined for the current active population, plus an allowance for projected administrative expenses determined in the most recent actuarial experience study conducted under Section 8D of this Act, expressed as a rate, provided the allowance may not exceed 1.25 percent of pensionable payroll for the current fiscal year unless agreed to by the city.

(14-b) "Payoff year" means the year a liability layer is fully amortized under the amortization period. A payoff year may not be extended or accelerated for a period that is less than one month.

(15-a) "Pension system actuary" means the actuary engaged by the pension system under Section 2B of this Act.

(17-a) "Pension obligation bond" means a bond issued in accordance with Chapter 107, Local Government Code.

(18) "Pension system," unless the context requires otherwise, means the retirement, disability, and survivor benefit plans for municipal employees of a city under this Act and employees under Section 3(d) of this Act.

(18-a) "Pensionable payroll" means the combined salaries paid to all members in a fiscal year.

(20-a) "Price inflation assumption" means:

(A) the most recent headline consumer price index 10-year forecast published in the Federal Reserve Bank of Philadelphia Survey of Professional Forecasters; or

(B) if the forecast described by Paragraph (A) of this subdivision is not available, another standard as determined by mutual agreement between the city and the pension board entered into under Section 3(n) of this Act.

(21-a) "Projected pensionable payroll" means the estimated pensionable payroll for the fiscal year beginning 12 months after the date of the risk sharing valuation study prepared under Section 8B or 8C of this Act, as applicable, at the time of calculation by:

(A) projecting the prior fiscal year's pensionable payroll forward two years using the current payroll growth rate assumptions; and

(B) adjusting, if necessary, for changes in

59-1 population or other known factors, provided those factors would
 59-2 have a material impact on the calculation, as determined by the
 59-3 pension board.

59-4 (26) "Surviving spouse" means a spouse by marriage of
 59-5 [person who was married to] a member, deferred participant, or
 59-6 retiree at the time of death of the member, deferred participant, or
 59-7 retiree and as of the date of [before] separation from service by
 59-8 the member, deferred participant, or retiree.

59-9 (26-a) "Third quarter line rate" means the corridor
 59-10 midpoint plus 2.5 percentage points.

59-11 (26-b) "Total city contribution" means, for a fiscal
 59-12 year, an amount equal to the sum of:

59-13 (A) the city contribution rate multiplied by the
 59-14 pensionable payroll for the fiscal year; and

59-15 (B) the city contribution amount for the fiscal
 59-16 year.

59-17 (28) "Ultimate entry age normal" means an actuarial
 59-18 cost method under which a calculation is made to determine the
 59-19 average uniform and constant percentage rate of contributions that,
 59-20 if applied to the compensation of each member during the entire
 59-21 period of the member's anticipated covered service, would be
 59-22 required to meet the cost of all benefits payable on the member's
 59-23 behalf based on the benefits provisions for newly hired employees.
 59-24 For purposes of this definition, the actuarial accrued liability
 59-25 for each member is the difference between the member's present
 59-26 value of future benefits based on the tier of benefits that apply to
 59-27 the member and the member's present value of future normal costs
 59-28 determined using the normal cost rate.

59-29 (29) "Unfunded actuarial accrued liability" means the
 59-30 difference between the actuarial accrued liability and the
 59-31 actuarial value of assets. For purposes of this definition:

59-32 (A) "actuarial accrued liability" means the
 59-33 portion of the actuarial present value of projected benefits
 59-34 attributed to past periods of member service based on the cost
 59-35 method used in the risk sharing valuation study prepared under
 59-36 Section 8B or 8C of this Act, as applicable; and

59-37 (B) "actuarial value of assets" means the value
 59-38 of pension plan investments as calculated using the asset smoothing
 59-39 method used in the risk sharing valuation study prepared under
 59-40 Section 8B or 8C of this Act, as applicable.

59-41 (30) "Unanticipated change" means, with respect to the
 59-42 unfunded actuarial accrued liability in each risk sharing valuation
 59-43 study prepared under Section 8B or 8C of this Act, as applicable,
 59-44 the difference between:

59-45 (A) the remaining balance of all then-existing
 59-46 liability layers as of the date of the risk sharing valuation study;
 59-47 and

59-48 (B) the actual unfunded actuarial accrued
 59-49 liability as of the date of the risk sharing valuation study.

59-50 (31) "Year 2017 effective date" means the date on
 59-51 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
 59-52 2017, took effect.

59-53 SECTION 3.02. Chapter 88 (H.B. 1573), Acts of the 77th
 59-54 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
 59-55 Civil Statutes), is amended by adding Sections 1A and 1B to read as
 59-56 follows:

59-57 Sec. 1A. INTERPRETATION OF ACT. This Act does not and may
 59-58 not be interpreted to:

59-59 (1) relieve the city, the pension board, or the
 59-60 pension system of their respective obligations under Sections 8A
 59-61 through 8F of this Act or of any agreement between the city and the
 59-62 pension board authorized by Section 3(n) of this Act;

59-63 (2) reduce or modify the rights of the city, the
 59-64 pension system, or the pension board, including any officer or
 59-65 employee of the city, pension system, or pension board, to enforce
 59-66 obligations described by Subdivision (1) of this subsection;

59-67 (3) relieve the city, including any official or
 59-68 employee of the city, from:

59-69 (A) paying or directing to pay required

60-1 contributions to the pension system or fund under Section 8 or 8A of
 60-2 this Act or to take other steps required by Section 8E or 8F of this
 60-3 Act or under any agreement between the city and the pension board
 60-4 authorized by Section 3(n) of this Act; or

60-5 (B) reducing or modifying the rights of the
 60-6 pension board and any officer or employee of the pension board or
 60-7 pension system to enforce obligations described by Subdivision (1)
 60-8 of this section;

60-9 (4) relieve the pension board or pension system,
 60-10 including any officer or employee of the pension board or pension
 60-11 system, from any obligation to implement a benefit change or take
 60-12 other steps required by Section 8E or 8F of this Act or under any
 60-13 agreement between the city and the pension board authorized by
 60-14 Section 3(n) of this Act; or

60-15 (5) reduce or modify the rights of the city and any
 60-16 officer or employee of the city to enforce an obligation described
 60-17 by Subdivision (4) of this section.

60-18 Sec. 1B. FISCAL YEAR. The pension system or the city, or
 60-19 both, may only change their respective fiscal years by entering
 60-20 into a written agreement under Section 3(n) of this Act. If the
 60-21 pension system and city enter into an agreement described by this
 60-22 section, the parties shall, in the agreement, adjust the provisions
 60-23 of Sections 8A through 8F of this Act to reflect that change.

60-24 SECTION 3.03. Section 2, Chapter 88 (H.B. 1573), Acts of the
 60-25 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
 60-26 Texas Civil Statutes), is amended by amending Subsections (c), (d),
 60-27 (g), (j), (l), and (n) and adding Subsections (c-1), (c-2), (c-3),
 60-28 (j-1), (j-2), (ee), (ff), (gg), (hh), (ii), and (jj) to read as
 60-29 follows:

60-30 (c) The pension board consists of 11 [~~nine~~] trustees as
 60-31 follows:

60-32 (1) one person appointed by the mayor of the city[~~, or~~
 60-33 ~~the director of the civil service commission as the mayor's~~
 60-34 ~~representative];~~

60-35 (2) one person appointed by the controller of the city
 60-36 ~~[treasurer or a person performing the duties of treasurer];~~

60-37 (3) four municipal employees of the city who are
 60-38 members of the pension system;

60-39 (4) two retirees, each of whom:

60-40 (A) has at least five years of credited service
 60-41 in the pension system;

60-42 (B) receives a retirement pension from the
 60-43 pension system; and

60-44 (C) is not an officer or employee of the city;
 60-45 [~~and~~]

60-46 (5) one person appointed by the elected trustees who[~~+~~
 60-47 ~~[(A)]~~ has been a resident of this state for the
 60-48 three years preceding the date of initial appointment; and

60-49 (6) two persons appointed by the governing body of the
 60-50 city [~~(B) is not a city officer or employee~~].

60-51 (c-1) To serve as a trustee under Subsection (c)(1), (2), or
 60-52 (6) of this section, a person may not be a participant in or
 60-53 beneficiary of the pension system.

60-54 (c-2) A trustee appointed under Subsection (c)(1), (2),
 60-55 (5), or (6) of this section must have expertise in at least one of
 60-56 the following areas: accounting, finance, pensions, investments,
 60-57 or actuarial science. Of the trustees appointed under Subsection
 60-58 (c)(1), (2), and (6) of this section, not more than two trustees may
 60-59 have expertise in the same area.

60-60 (c-3) A trustee appointed under Subsection (c)(1) of this
 60-61 section shall serve a three-year term expiring in July of the
 60-62 applicable year. The appointed trustee may be removed at any time
 60-63 by the mayor. The mayor shall fill a vacancy caused by the
 60-64 trustee's death, resignation, or removal and the person appointed
 60-65 to fill the vacancy shall serve the remainder of the unexpired term
 60-66 of the replaced trustee and may not serve beyond the expiration of
 60-67 the unexpired term unless appointed by the mayor.

60-68 (d) To serve as a trustee under Subsection (c)(3) of this
 60-69 section, a person must be a member with at least five years of

61-1 credited service and be elected by the active members of the pension
61-2 system voting at an election called by the pension board. No more
61-3 than two of the employee trustees may be employees of the same
61-4 department.

61-5 (g) To serve as a trustee under Subsection (c)(4) of this
61-6 section, a person must be elected by a majority of the retirees
61-7 voting [~~retired members of the pension system~~] at an election
61-8 called by the pension board.

61-9 (j) To serve as a trustee under Subsection (c)(5) of this
61-10 section, the person must be appointed by a vote of a majority of the
61-11 elected trustees of the pension board. The trustee appointed under
61-12 Subsection (c)(5) of this section shall serve [~~serves~~] a three-year
61-13 [~~two-year~~] term. The appointment or reappointment of the appointed
61-14 trustee shall take place in July [~~January~~] of the [~~each~~
61-15 ~~even-numbered~~] year in which the term ends. The appointed trustee
61-16 may be removed at any time by a vote of a majority of the elected
61-17 trustees of the pension board. A vacancy caused by the appointed
61-18 trustee's death, resignation, or removal shall be filled by the
61-19 elected trustees of the pension board. The appointee serves for the
61-20 remainder of the unexpired term of the replaced trustee. An
61-21 appointed trustee may not serve beyond the expiration of the
61-22 three-year [~~two-year~~] term unless a majority of [~~other than by~~
61-23 ~~appointment for a new term by~~] the elected trustees of the pension
61-24 board reappoint the trustee for a new term.

61-25 (j-1) Each trustee appointed under Subsection (c)(6) of
61-26 this section shall serve three-year terms expiring in July of the
61-27 applicable year. A trustee appointed under Subsection (c)(6) of
61-28 this section may be removed at any time by a vote of a majority of
61-29 the members of the governing body of the city. A vacancy caused by
61-30 the appointed trustee's death, resignation, or removal shall be
61-31 filled by a vote of a majority of the members of the governing body
61-32 of the city. A person appointed to fill the vacancy shall serve the
61-33 remainder of the unexpired term of the replaced trustee, and may not
61-34 serve beyond the expiration of the unexpired term unless appointed
61-35 by the mayor.

61-36 (j-2) If a majority of the pension board determines that a
61-37 trustee appointed under Subsection (c)(1), (2), or (6) of this
61-38 section has acted or is acting in a manner that conflicts with the
61-39 interests of the pension system or is in violation of this Act or
61-40 any agreement between the pension board and the city entered into
61-41 under Section 3(n) of this Act, the pension board may recommend to
61-42 the mayor, controller, or governing body, as appropriate, that the
61-43 appointed trustee be removed from the pension board. If the
61-44 appointed trustee was appointed by the governing body of the city,
61-45 an action item concerning the pension board's recommendation shall
61-46 be placed on the governing body's agenda for consideration and
61-47 action. The governing body shall make a determination on the
61-48 recommendation and communicate the determination to the pension
61-49 system not later than the 45th day after the date of the
61-50 recommendation.

61-51 (1) To serve on the pension board, each [~~Each~~] trustee
61-52 shall, at the first pension board meeting following the trustee's
61-53 most recent election or appointment, take an oath of office that the
61-54 trustee:

61-55 (1) will diligently and honestly administer the
61-56 pension system; and

61-57 (2) will not knowingly violate this Act or willingly
61-58 allow a violation of this Act to occur.

61-59 (n) The person serving as a trustee under Subsection (c)(2)
61-60 of this section serves as the treasurer of the pension fund [~~under~~
61-61 ~~penalty of that person's official bond and oath of office~~]. The
61-62 treasurer shall file an [~~That person's~~] official bond payable to
61-63 the [~~city shall cover the person's position as treasurer of the~~]
61-64 pension system. The treasurer is [~~fund, and that person's sureties~~
61-65 ~~are~~] liable on [~~for~~] the treasurer's official bond for the faithful
61-66 performance of the treasurer's duties under this Act in connection
61-67 with [~~actions pertaining to~~] the pension fund [~~to the same extent as~~
61-68 ~~the sureties are liable under the terms of the bond for other~~
61-69 ~~actions and conduct of the treasurer~~].

62-1 (ee) A trustee appointed under Subsection (c)(1), (2), (5),
 62-2 or (6) of this section who fails to attend at least 50 percent of all
 62-3 regular pension board meetings, as determined annually each July 1,
 62-4 may be removed from the pension board by the appointing entity. A
 62-5 trustee removed under this subsection may not be appointed as a
 62-6 trustee for one year following removal.

62-7 (ff) All trustees appointed under Subsection (c) of this
 62-8 section shall complete minimum educational training requirements
 62-9 established by the State Pension Review Board. The appointing
 62-10 entity may remove an appointed trustee who does not complete
 62-11 minimum educational training requirements during the period
 62-12 prescribed by the State Pension Review Board.

62-13 (gg) The pension board shall adopt an ethics policy
 62-14 governing, among other matters, conflicts of interest, including
 62-15 standards of ethical conduct and disclosure requirements,
 62-16 applicable to:

62-17 (1) trustees;

62-18 (2) employees; and

62-19 (3) any contractors or categories of contractors that
 62-20 the pension board determines provide:

62-21 (A) any advice or opinion to the pension system
 62-22 that is the basis for a significant decision or action by or on
 62-23 behalf of the pension system; or

62-24 (B) significant services to the pension system
 62-25 that relate to the administration and operation of the pension
 62-26 system.

62-27 (hh) During a trustee's term on the pension board and for
 62-28 one year after leaving the pension board, a trustee may not
 62-29 represent any other person or organization in any formal or
 62-30 informal appearance before the pension board or pension system
 62-31 staff concerning a matter for which the person has or had
 62-32 responsibility as a trustee.

62-33 (ii) The pension board may establish standing or temporary
 62-34 committees as necessary to assist the board in carrying out its
 62-35 business, including committees responsible for risk management or
 62-36 governance, investments, administration and compensation,
 62-37 personnel issues, financial and actuarial matters, audits,
 62-38 disability determinations, and agreements under Section 3(n) of
 62-39 this Act. If the pension board establishes a committee responsible
 62-40 for agreements under Section 3(n) of this Act, the committee must be
 62-41 a committee of the elected trustees and the trustee appointed by the
 62-42 elected trustees. Except for a committee responsible for
 62-43 agreements under Section 3(n) of this Act and any committee
 62-44 responsible for personnel issues:

62-45 (1) each committee must include at least one elected
 62-46 trustee and one trustee appointed by the mayor, controller, or
 62-47 governing body of the city;

62-48 (2) committee meetings are open to all trustees; and

62-49 (3) a committee may not make final decisions and may
 62-50 only make recommendations to the pension board.

62-51 (jj) Subsections (x)(1) through (4), (y), and (cc) of this
 62-52 section do not grant the pension board authority to take any action
 62-53 that conflicts or interferes with application of Sections 8A
 62-54 through 8F of this Act.

62-55 SECTION 3.04. Chapter 88 (H.B. 1573), Acts of the 77th
 62-56 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
 62-57 Civil Statutes), is amended by adding Sections 2A, 2B, 2C, and 2D to
 62-58 read as follows:

62-59 Sec. 2A. CONFLICTS OF INTEREST. (a) The existence or
 62-60 appearance of a conflict of interest on the part of any trustee is
 62-61 detrimental to the proper functioning of the pension system if not
 62-62 properly addressed. An appointed trustee may not deliberate or
 62-63 vote on an action relating to the investment of pension system
 62-64 assets if:

62-65 (1) the trustee or an entity with which the trustee is
 62-66 affiliated is:

62-67 (A) a competitor or an affiliate of the person or
 62-68 firm that is the subject of or otherwise under consideration in the
 62-69 action; or

63-1 (B) likely would be subject to a due diligence
 63-2 review by the person or firm that is under consideration in the
 63-3 investment-related action; or

63-4 (2) the pension board otherwise determines that the
 63-5 proposed action would create a direct or indirect benefit for the
 63-6 appointed trustee or a firm with which the appointed trustee is
 63-7 affiliated.

63-8 (b) The city attorney shall:

63-9 (1) provide annual training to trustees appointed by
 63-10 the city regarding conflicts of interest; and

63-11 (2) to the extent authorized by city ordinances, at
 63-12 the request of an external affairs committee if established in
 63-13 accordance with Section 2(ii) of this Act, review and take
 63-14 appropriate action on a complaint alleging a conflict of interest
 63-15 on the part of a city-appointed trustee.

63-16 Sec. 2B. PENSION SYSTEM ACTUARY; ACTUARIAL VALUATIONS.

63-17 (a) The pension board shall hire an actuary or actuarial firm for
 63-18 purposes of this Act.

63-19 (b) At least annually, the pension system actuary shall make
 63-20 a valuation of the assets and liabilities of the pension fund. The
 63-21 valuation must include the risk sharing valuation study conducted
 63-22 under Section 8B or 8C of this Act, as applicable.

63-23 (c) The actuary or actuarial firm shall provide a report of
 63-24 the valuation to the city.

63-25 Sec. 2C. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary
 63-26 hired by the city for purposes of this Act must be an actuary from a
 63-27 professional service firm who:

63-28 (1) is not already engaged by the pension system or any
 63-29 other pension system or fund authorized under Articles 6243e.2(1)
 63-30 or 6243g-4, Revised Statutes, to provide actuarial services to the
 63-31 pension system or fund, as applicable;

63-32 (2) has a minimum of 10 years of professional
 63-33 actuarial experience; and

63-34 (3) is a fellow of the Society of Actuaries or a member
 63-35 of the American Academy of Actuaries and who, in carrying out duties
 63-36 for the city, has met the applicable requirements to issue
 63-37 statements of actuarial opinion.

63-38 (b) Notwithstanding Subsection (a) of this section, the
 63-39 city actuary does not need to meet any greater qualifications than
 63-40 those qualifications required of the pension system actuary.

63-41 Sec. 2D. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT
 63-42 CONSULTANT. (a) At least once every three years, the board shall
 63-43 hire an independent investment consultant, including an
 63-44 independent investment consulting firm, to conduct a review of
 63-45 pension system investments and submit a report to the board and the
 63-46 city concerning the review or demonstrate in the pension system's
 63-47 annual financial report that the review was conducted. The
 63-48 independent investment consultant shall review and report on at
 63-49 least the following:

63-50 (1) the pension system's compliance with its
 63-51 investment policy statement, ethics policies, including policies
 63-52 concerning the acceptance of gifts, and policies concerning insider
 63-53 trading;

63-54 (2) the pension system's asset allocation, including a
 63-55 review and discussion of the various risks, objectives, and
 63-56 expected future cash flows;

63-57 (3) the pension system's portfolio structure,
 63-58 including the system's need for liquidity, cash income, liquid
 63-59 returns, and inflation protection and the active, passive, or index
 63-60 approaches used for different portions of the portfolio;

63-61 (4) investment manager or advisor performance reviews
 63-62 and an evaluation of the processes used to select and evaluate
 63-63 managers;

63-64 (5) benchmarks used for each asset class and
 63-65 individual manager;

63-66 (6) an evaluation of fees and trading costs;

63-67 (7) an evaluation of investments in any leverage,
 63-68 foreign exchange, or other hedging transaction; and

63-69 (8) an evaluation of investment-related disclosures

64-1 in the pension system's annual reports or valuations.

64-2 (b) When the board retains an independent investment
 64-3 consultant under this section, the pension system may require the
 64-4 consultant to agree in writing to maintain the confidentiality of:

64-5 (1) information provided to the consultant that is
 64-6 reasonably necessary to conduct a review under this section; and

64-7 (2) any nonpublic information provided for the pension
 64-8 system for the audit.

64-9 (c) The costs for the investment report required by this
 64-10 section shall be paid from the pension fund.

64-11 SECTION 3.05. Section 3, Chapter 88 (H.B. 1573), Acts of the
 64-12 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
 64-13 Texas Civil Statutes), is amended by amending Subsections (f) and
 64-14 (n) and adding Subsections (o), (p), (q), (r), and (s) to read as
 64-15 follows:

64-16 (f) The pension board shall compensate from the pension fund
 64-17 the persons performing services under Subsections (d) and (e) of
 64-18 this section and may provide other employee benefits that the
 64-19 pension board considers proper. Any person employed by the pension
 64-20 board under Subsection (d) or (e) of this section who has service
 64-21 credits with the pension system at the time of the person's
 64-22 employment by the pension board retains the person's status in the
 64-23 pension system. Any person employed by the pension system who does
 64-24 not have service credits with the pension system at the time of
 64-25 employment is a group D [A] member. The pension board shall adopt a
 64-26 detailed annual budget detailing its proposed administrative
 64-27 expenditures under this subsection for the next fiscal year.

64-28 (n) Notwithstanding any other law and except as
 64-29 specifically limited by Subsection (o) of this section, the pension
 64-30 board may enter into a written agreement with the city regarding
 64-31 pension issues and benefits. The agreement must be approved by the
 64-32 pension board and the governing body of the city and signed by the
 64-33 mayor and by the pension board or the pension board's designee. The
 64-34 agreement is enforceable against and binding on the pension board,
 64-35 the city, and the pension system, including the pension system's
 64-36 members, retirees, deferred participants, beneficiaries, eligible
 64-37 survivors, and alternate payees. Any reference in this Act to an
 64-38 agreement between the city and the pension board or pension system
 64-39 is a reference to an agreement entered under this subsection.

64-40 (o) In any written agreement entered into between the city
 64-41 and the pension board under Subsection (n) of this section, the
 64-42 parties may not:

64-43 (1) fundamentally alter Sections 8A through 8F of this
 64-44 Act;

64-45 (2) increase the assumed rate of return to more than
 64-46 seven percent per year;

64-47 (3) extend the amortization period of a liability
 64-48 layer to more than 30 years from the first day of the fiscal year
 64-49 beginning 12 months after the date of the risk sharing valuation
 64-50 study in which the liability layer is first recognized; or

64-51 (4) allow a city contribution rate in any year that is
 64-52 less than the city contribution rate required under Section 8E or
 64-53 8F, as applicable, of this Act.

64-54 (p) Annually on or before the end of the fiscal year, the
 64-55 pension board shall make a report to the mayor and the governing
 64-56 body of the city, each of which shall provide a reasonable
 64-57 opportunity for the pension board to prepare and present the
 64-58 report.

64-59 (q) The pension board shall provide quarterly investment
 64-60 reports to the mayor.

64-61 (r) At the mayor's request, the pension board shall meet,
 64-62 discuss, and analyze with the mayor or the mayor's representatives
 64-63 any city proposed policy changes and ordinances that may have a
 64-64 financial effect on the pension system.

64-65 (s) The pension board shall work to reduce administrative
 64-66 and investment expenses, including by cooperating with any other
 64-67 pension fund to which the city contributes.

64-68 SECTION 3.06. Section 5, Chapter 88 (H.B. 1573), Acts of the
 64-69 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's

65-1 Texas Civil Statutes), is amended by amending Subsections (b), (e),
 65-2 (f), and (g) and adding Subsections (j), (k), and (l) to read as
 65-3 follows:

65-4 (b) Except as provided by Subsection (c), (j), or (k) of
 65-5 this section and Sections 4 and 6 of this Act, an employee or
 65-6 elected official is a group A member of the pension system as a
 65-7 condition of employment or service if the employee or elected
 65-8 official, as applicable:

65-9 (1) is hired or rehired as an employee by the city, the
 65-10 predecessor system, or the pension system on or after September 1,
 65-11 1999, and before January 1, 2008;

65-12 (1-a) is elected, hired, or rehired as an executive
 65-13 official on or after January 1, 2005, and before January 1, 2008;

65-14 (2) was a member of the predecessor system before
 65-15 September 1, 1981, under the terms of Chapter 358, Acts of the 48th
 65-16 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas
 65-17 Civil Statutes), and did not make an election before December 1,
 65-18 1981, under Section 22(a) of that Act to receive a refund of
 65-19 contributions and become a group B member;

65-20 (3) was a group A member who terminated employment
 65-21 included in the predecessor system before May 3, 1991, elected
 65-22 under Section 16, Chapter 358, Acts of the 48th Legislature,
 65-23 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
 65-24 Statutes), to leave the member's contributions in that pension
 65-25 fund, met the minimum service requirements for retirement at an
 65-26 attained age, was reemployed in a position included in the
 65-27 predecessor system before September 1, 1999, and elected, not later
 65-28 than the 30th day after the date reemployment began, to continue as
 65-29 a group A member;

65-30 (4) became a member of, or resumed membership in, the
 65-31 predecessor system as an employee or elected official of the city
 65-32 after January 1, 1996, and before September 1, 1999, and elected by
 65-33 submission of a signed and notarized form in a manner determined by
 65-34 the pension board to become a group A member and to contribute a
 65-35 portion of the person's salary to the pension fund as required by
 65-36 Chapter 358, Acts of the 48th Legislature, Regular Session, 1943
 65-37 (Article 6243g, Vernon's Texas Civil Statutes); or

65-38 (5) met the requirements of Section 3B, Chapter 358,
 65-39 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,
 65-40 Vernon's Texas Civil Statutes), or Subsection (f) of this section
 65-41 for membership in group A.

65-42 (e) Any member or former member of the pension system
 65-43 elected to an office of the city on or after September 1, 1999, and
 65-44 before January 1, 2008, is [becomes] a group A member and is
 65-45 eligible to receive credit for all previous service on the same
 65-46 conditions as reemployed group A members under Sections 7(c), (d),
 65-47 (e), and (f) of this Act, except as otherwise provided by this Act.
 65-48 Notwithstanding any other provision in this Act and for purposes of
 65-49 this subsection [or in Chapter 358, Acts of the 48th Legislature,
 65-50 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
 65-51 Statutes)], consecutive terms of office of any elected member who
 65-52 is elected to an office of the city are considered to be continuous
 65-53 employment for purposes of this Act.

65-54 (f) Each group B member of the pension system may make an
 65-55 irrevocable election on a date and in a manner determined by the
 65-56 pension board to change membership from group B to group A:

65-57 (1) for future service only; or

65-58 (2) for future service and to convert all past group B
 65-59 service to group A service and comply with the requirements of
 65-60 Subsection (h) of this section provided the service is converted
 65-61 before December 31, 2005.

65-62 (g) Each group A member with service in group B may make an
 65-63 irrevocable election not later than December 31, 2005, [on a date]
 65-64 and in a manner determined by the pension board to convert all group
 65-65 B service to group A service and to comply with the requirements of
 65-66 Subsection (h) of this section.

65-67 (j) Except as provided by Subsection (k) of this section or
 65-68 Section 4 or 6 of this Act, an employee or elected official is a
 65-69 group D member of the pension system as a condition of employment or

66-1 service if the employee or elected official, as applicable:

66-2 (1) is hired as an employee by the city or the pension
66-3 system on or after January 1, 2008; or

66-4 (2) is elected, hired, or rehired as an executive
66-5 official on or after January 1, 2008.

66-6 (k) Notwithstanding any provision of this section, for
66-7 purposes of Subsection (j) of this section:

66-8 (1) consecutive terms of office of an elected member
66-9 who is elected to an office of the city are considered to be
66-10 continuous employment;

66-11 (2) a former employee who is rehired as an employee by
66-12 the city or the pension system on or after January 1, 2008, is, as a
66-13 condition of employment, a member of the group in which that
66-14 employee participated at the time immediately preceding the
66-15 employee's separation from service; and

66-16 (3) any member or former member of the pension system
66-17 elected to an office of the city on or after January 1, 2008, is a
66-18 member of the group in which that elected member participated at the
66-19 time immediately preceding the elected member's separation from
66-20 service.

66-21 (l) For purposes of this section, "executive official" has
66-22 the meaning assigned by Section 6(b) of this Act.

66-23 SECTION 3.07. Section 6, Chapter 88 (H.B. 1573), Acts of the
66-24 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
66-25 Texas Civil Statutes), is amended by amending Subsections (a), (c),
66-26 and (h) and adding Subsections (a-1), (a-2), and (a-3) to read as
66-27 follows:

66-28 (a) Except as provided by Section 4 of this Act, an employee
66-29 or elected official is a [A] group C member of the pension system if
66-30 the employee or elected official, as applicable, is elected, hired,
66-31 or rehired as an executive official on or after September 1, 1999,
66-32 and before January 1, 2005.

66-33 (a-1) A group C member is subject to the provisions that
66-34 apply to group A or group D members under this Act, as applicable,
66-35 except as otherwise provided by this section.

66-36 (a-2) Notwithstanding any other provision of this Act, an
66-37 executive official who is a group A member under this Act shall earn
66-38 pension service in accordance with Subsection (d) of this section
66-39 for service performed before January 1, 2005. An executive
66-40 official described by this section remains subject to other
66-41 provisions of this Act governing group A members, including the
66-42 retirement eligibility provisions of Section 10 of this Act.

66-43 (a-3) Subsections (a), (a-1), and (a-2) of this section do
66-44 not affect:

66-45 (1) any credited service or benefit percentage accrued
66-46 in group C before January 1, 2005;

66-47 (2) any group C benefit that a deferred participant or
66-48 retiree is eligible to receive that was earned before January 1,
66-49 2005; or

66-50 (3) the terms and obligations of any service purchase
66-51 obligation to convert service to group C that was made before
66-52 January 1, 2005.

66-53 (c) An executive official becomes a member of group C on the
66-54 official's effective date of participation in group C, except that
66-55 a group A, ~~or~~ group B, or group D member who is participating in
66-56 the DROP under Section 12 of this Act is ineligible to become a
66-57 member of group C.

66-58 (h) This section applies to a member only while the member
66-59 is an eligible executive official. A member who ceases to be an
66-60 executive official and transfers to or is rehired into a municipal
66-61 position covered by group A participates in group A or group D, as
66-62 applicable, does not forfeit group C service, and remains eligible
66-63 for normal retirement for group C service as provided under
66-64 Subsection (e) of this section. A former group C member is not
66-65 eligible to participate in group B.

66-66 SECTION 3.08. Section 7, Chapter 88 (H.B. 1573), Acts of the
66-67 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
66-68 Texas Civil Statutes), is amended by amending Subsections (a), (c),
66-69 (e), (f), (g), and (h) and adding Subsections (g-1), (g-2), (i),

67-1 (j), (k), and (l) to read as follows:

67-2 (a) Notwithstanding any other provision of this Act,
67-3 duplication of service or credited service in group A, B, ~~[or] C,~~ or
67-4 D of the pension system or in the pension system and any other
67-5 defined benefit pension plan to which the city contributes is
67-6 prohibited.

67-7 (c) Except as provided by Section 12 of this Act, a ~~[group A]~~
67-8 member may pay into the pension fund and obtain credit for any
67-9 service with the city or the pension system for which credit is
67-10 otherwise allowable ~~[in group A]~~ under this Act, except that:

67-11 (1) no required contributions were made by the member
67-12 for the service; or

67-13 (2) refunded contributions attributable to the
67-14 service have not been subsequently repaid.

67-15 (e) To establish service described by Subsection (c) of this
67-16 section that occurred on or after September 1, 1999, the member
67-17 shall pay a sum computed by multiplying the member's salary during
67-18 the service by the rate established ~~[by the pension board]~~ for
67-19 member contributions under Section 8 of this Act, and the city shall
67-20 pay into the pension fund an amount equal to the rate established
67-21 for city contributions under Section 8 of this Act ~~[multiplied by~~
67-22 ~~that member's salary for the same period]~~.

67-23 (f) In addition to the amounts to be paid by the member under
67-24 Subsection (d) or (e) of this section, the member shall also pay
67-25 interest on those amounts at the current assumed rate of return ~~[six~~
67-26 ~~percent]~~ per year, not compounded, from the date the contributions
67-27 would have been deducted, if made, or from the date contributions
67-28 were refunded to the date of repayment of those contributions into
67-29 the pension fund.

67-30 (g) Before the year 2017 effective date, if ~~[If]~~ a group B or
67-31 group D member separates from service before completing five years
67-32 of credited service, the member's service credit is canceled at the
67-33 time of separation. If the member is reemployed by the city in a
67-34 position covered by the pension system before the first anniversary
67-35 of the date of separation, all credit for previous service is
67-36 restored. Any member whose service credit is canceled under this
67-37 subsection and who is reemployed by the city in a position covered
67-38 by the pension system after the first anniversary of the date of
67-39 separation receives one year of previous service credit in group B
67-40 or group D, as applicable, for each full year of subsequent service
67-41 up to the amount of the previous service that was canceled.

67-42 (g-1) On or after the year 2017 effective date, if a group B
67-43 or group D member who has made required member contributions
67-44 separates from service before completing five years of credited
67-45 service, the member's service credit is canceled at the time of
67-46 separation and the member is eligible to receive a refund of
67-47 required member contributions as provided by Section 17 of this
67-48 Act. If the member is reemployed before the first anniversary of
67-49 the date of separation:

67-50 (1) subject to Subdivision (2) of this subsection, all
67-51 credit for previous service for which no member contributions were
67-52 required is restored, along with credit for previous service for
67-53 which the member did not receive a refund of contributions; and

67-54 (2) if the member's service credit is canceled under
67-55 this subsection, the member is eligible to reinstate the canceled
67-56 credited service by paying the pension system the refund amount, if
67-57 any, plus interest on those amounts at the current assumed rate of
67-58 return per year, not compounded, from the date contributions were
67-59 refunded to the date of repayment of those contributions to the
67-60 pension fund.

67-61 (g-2) For purposes of Subsection (g-1)(2) of this section,
67-62 for any canceled service for which contributions were not required,
67-63 the member receives one year of previous service credit in group B
67-64 or group D, as appropriate, for each full year of subsequent service
67-65 up to the amount of the previous service that was canceled.

67-66 (h) A group B member who was a group A member before
67-67 September 1, 1981, and who was eligible to purchase credit for
67-68 previous service under Chapter 358, Acts of the 48th Legislature,
67-69 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil

68-1 Statutes), may purchase the service credit in group B by paying into
 68-2 the pension fund an amount equal to the assumed rate of return [~~six~~
 68-3 ~~percent~~] per year, not compounded, on any contributions previously
 68-4 withdrawn for the period from the date of withdrawal to the date of
 68-5 purchase.

68-6 (i) Under rules and procedures adopted by the pension board,
 68-7 a group D member may effectuate a direct trustee-to-trustee
 68-8 transfer from a qualifying code Section 457(b) plan to the pension
 68-9 system to purchase an increased or enhanced benefit in accordance
 68-10 with the provisions of code Sections 415(n) and 457(e)(17) of the
 68-11 Internal Revenue Code of 1986. The amount transferred under this
 68-12 subsection shall be held by the pension system and the pension
 68-13 system may not separately account for the amount. The pension board
 68-14 by rule shall determine the additional service credit and benefit
 68-15 that a member is entitled to based on a transfer under this
 68-16 subsection.

68-17 (j) For purposes of this subsection and Subsection (k),
 68-18 "furlough time" means the number of days a person has been
 68-19 furloughed. A person who has been voluntarily or involuntarily
 68-20 furloughed shall receive credited service for each day that the
 68-21 person has been furloughed, provided that:

68-22 (1) the pension system receives all required city
 68-23 contributions and member contributions for the credited service
 68-24 attributable to the furlough time for the pay period in which the
 68-25 furlough occurs, based on the regular salary that each furloughed
 68-26 member would have received if the member had worked during the
 68-27 furlough time;

68-28 (2) the member may receive not more than 10 days of
 68-29 credited service in a fiscal year for furlough time; and

68-30 (3) credited service for furlough time may not be used
 68-31 to meet the five-year requirement under Section 10(b) of this Act
 68-32 for eligibility for a benefit.

68-33 (k) For purposes of Subsection (j) of this section, the city
 68-34 shall establish a unique pay code for furlough time to provide for
 68-35 timely payment of city contributions and member contributions for
 68-36 furlough time and to allow the pension system to identify furlough
 68-37 time for each furloughed employee.

68-38 (l) Notwithstanding any provision of this section, the
 68-39 interest rate on any service purchase shall be the then current
 68-40 assumed rate of return, not compounded.

68-41 SECTION 3.09. The heading to Section 8, Chapter 88 (H.B.
 68-42 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
 68-43 6243h, Vernon's Texas Civil Statutes), is amended to read as
 68-44 follows:

68-45 Sec. 8. MEMBER CONTRIBUTIONS.

68-46 SECTION 3.10. Sections 8(a), (b), and (c), Chapter 88 (H.B.
 68-47 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
 68-48 6243h, Vernon's Texas Civil Statutes), are amended to read as
 68-49 follows:

68-50 (a) Subject to adjustments authorized under Section 8E or 8F
 68-51 of this Act, beginning on the year 2017 effective date, each [~~Each~~
 68-52 ~~group A~~] member of the pension system shall make biweekly [~~monthly~~]
 68-53 contributions during employment in an amount determined in
 68-54 accordance with this section or Section 10A(a) of this Act [~~by the~~
 68-55 ~~pension board and expressed as a percentage of salary~~]. The
 68-56 contributions shall be deducted by the employer from the salary of
 68-57 each member and paid to the pension system for deposit in the
 68-58 pension fund. Member contributions under this section shall be
 68-59 made as follows:

68-60 (1) each group A member shall contribute:

68-61 (A) seven percent of the member's salary
 68-62 beginning with the member's first full biweekly pay period that
 68-63 occurs on or after the year 2017 effective date; and

68-64 (B) eight percent of the member's salary
 68-65 beginning with the member's first full biweekly pay period for the
 68-66 member that occurs on or after July 1, 2018;

68-67 (2) each group B member shall contribute:

68-68 (A) two percent of the member's salary beginning
 68-69 with the member's first full biweekly pay period that occurs on or

69-1 after the year 2017 effective date; and
 69-2 (B) four percent of the member's salary beginning
 69-3 with the member's first full biweekly pay period for the member that
 69-4 occurs on or after July 1, 2018; and

69-5 (3) subject to Section 10A(a) of this Act, each group D
 69-6 member shall contribute two percent of the member's salary
 69-7 beginning with the member's first full biweekly pay period that
 69-8 occurs on or after the year 2017 effective date.

69-9 (b) This section does not increase or decrease the
 69-10 contribution obligation of any member that arose before the year
 69-11 2017 effective date [~~September 1, 2001,~~] or give rise to any claim
 69-12 for a refund for any contributions made before that date.

69-13 (c) The city [~~employer~~] shall pick up the contributions
 69-14 required of [~~group A~~] members by Subsection (a) of this section and
 69-15 contributions required of group D members under Section 10A(a) of
 69-16 this Act as soon as reasonably practicable under applicable rules
 69-17 for all salaries earned by members after the year 2017 effective
 69-18 date and by January 1, 2018, for contributions required by Section
 69-19 10A(a) of this Act. The city shall pay the pickup contributions to
 69-20 the pension system from the same source of funds that is used for
 69-21 paying salaries to the members. The pickup contributions are in
 69-22 lieu of contributions by [~~group A~~] members. The city may pick up
 69-23 those contributions by a deduction from each [~~group A~~] member's
 69-24 salary equal to the amount of the member's contributions picked up
 69-25 by the city. Members may not choose to receive the contributed
 69-26 amounts directly instead of having the contributed amounts paid by
 69-27 the city to the pension system. An accounting of member
 69-28 contributions picked up by the employer shall be maintained, and
 69-29 the contributions shall be treated for all other purposes as if the
 69-30 amount were a part of the member's salary and had been deducted
 69-31 under this section. Contributions picked up under this subsection
 69-32 shall be treated as employer contributions in determining tax
 69-33 treatment of the amounts under the Internal Revenue Code of 1986, as
 69-34 amended.

69-35 SECTION 3.11. Chapter 88 (H.B. 1573), Acts of the 77th
 69-36 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
 69-37 Civil Statutes), is amended by adding Sections 8A, 8B, 8C, 8D, 8E,
 69-38 8F, 8G, and 8H to read as follows:

69-39 Sec. 8A. CITY CONTRIBUTIONS. (a) The city shall make
 69-40 contributions to the pension system for deposit into the pension
 69-41 fund as provided by this section and Section 8C, 8E, or 8F of this
 69-42 Act, as applicable. The city shall contribute:

69-43 (1) except by written agreement between the city and
 69-44 the pension board under Section 3(n) of this Act providing for an
 69-45 earlier contribution date, beginning with the year 2017 effective
 69-46 date and ending with the fiscal year ending June 30, 2018, an
 69-47 amount, as determined in the initial risk sharing valuation study
 69-48 conducted under Section 8C of this Act, equal to the sum of:

69-49 (A) the city contribution rate multiplied by the
 69-50 pensionable payroll for the fiscal year; and

69-51 (B) except as provided by Subsection (e) of this
 69-52 section, the city contribution amount for the fiscal year; and

69-53 (2) for each fiscal year after the fiscal year ending
 69-54 June 30, 2018, an amount, as determined in the subsequent risk
 69-55 sharing valuation study conducted under Section 8B of this Act,
 69-56 equal to the sum of:

69-57 (A) the city contribution rate multiplied by the
 69-58 pensionable payroll for the applicable fiscal year; and

69-59 (B) except as provided by Subsection (e) of this
 69-60 section, the city contribution amount for the applicable fiscal
 69-61 year.

69-62 (b) At least biweekly, the city shall make the contributions
 69-63 required by Subsection (a) of this section by depositing with the
 69-64 pension system an amount equal to the sum of:

69-65 (A) the city contribution rate multiplied by the
 69-66 pensionable payroll for the biweekly period; and

69-67 (B) the city contribution amount for the
 69-68 applicable fiscal year divided by 26.

69-69 (c) Subject to Section 8E or 8F of this Act, the city

70-1 contribution rate:

70-2 (1) except as provided by Subdivision (2) of this
 70-3 subsection, is a percent that equals the sum of the employer normal
 70-4 cost rate and the amortization rate for all liability layers; and

70-5 (2) may not exceed the maximum contribution rate or be
 70-6 less than the minimum contribution rate.

70-7 (d) With respect to each fiscal year:

70-8 (1) the first contribution by the city under this
 70-9 section for the fiscal year shall be made not later than the date
 70-10 payment is made to employees for their first full biweekly pay
 70-11 period beginning on or after the first day of the fiscal year; and

70-12 (2) the final contribution by the city under this
 70-13 section for the fiscal year shall be made not later than the date
 70-14 payment is made to employees for the final biweekly pay period of
 70-15 the fiscal year.

70-16 (e) In addition to the amounts required under this section,
 70-17 the city may at any time contribute additional amounts to the
 70-18 pension system for deposit in the pension fund by entering into a
 70-19 written agreement with the pension board in accordance with Section
 70-20 3(n) of this Act.

70-21 (f) If, in any given fiscal year, the funded ratio is
 70-22 greater than or equal to 100 percent, the city contribution under
 70-23 this section may not include the city contribution amount.

70-24 (g) Contributions made under this section by the city to the
 70-25 pension system shall only be credited against any amortization
 70-26 schedule of payments due to the pension system under this Act.

70-27 (h) Subsection (g) of this section does not affect the
 70-28 exclusion of contribution amounts under Subsection (f) of this
 70-29 section or changes to an amortization schedule of a liability layer
 70-30 under Section 8B(a)(5)(F), 8C(i), or 8E(c)(3)-(4) of this Act.

70-31 Sec. 8B. RISK SHARING VALUATION STUDIES. (a) The pension
 70-32 system and the city shall prepare a risk sharing valuation study in
 70-33 accordance with this section. A risk sharing valuation study must:

70-34 (1) be included in the annual valuation study prepared
 70-35 under Section 2B of this Act;

70-36 (2) calculate the unfunded actuarial accrued
 70-37 liability of the pension system consistent with actuarial standards
 70-38 of practice and based on actuarial data or estimates of actuarial
 70-39 data provided by the pension system actuary;

70-40 (3) estimate the city contribution rate by making
 70-41 adjustments to the calculation of the rate that do not require
 70-42 agreement between the city and the pension board under Section 8E or
 70-43 8F of this Act;

70-44 (4) detail the total city contribution before and
 70-45 after any adjustments required under Section 8E or 8F of this Act;

70-46 (5) subject to Subsection (g) of this section, be
 70-47 based on assumptions and methods determined based on the most
 70-48 recent actuarial experience study conducted under Section 8D of
 70-49 this Act, provided the following assumptions and methods are used:

70-50 (A) an ultimate entry age normal actuarial
 70-51 method;

70-52 (B) for purposes of determining the actuarial
 70-53 value of assets:

70-54 (i) except as provided by Subparagraph (ii)
 70-55 of this paragraph and Section 8E(c)(1) or 8F(c)(1) of this Act, an
 70-56 asset smoothing method recognizing actuarial losses and gains over
 70-57 a five-year period applied prospectively beginning on the year 2017
 70-58 effective date; and

70-59 (ii) for the initial risk sharing valuation
 70-60 study prepared under Section 8C of this Act, a marked-to-market
 70-61 method applied as of June 30, 2016;

70-62 (C) closed layered amortization of liability
 70-63 layers to ensure that the amortization period for each layer begins
 70-64 12 months after the date of the risk sharing valuation study in
 70-65 which the liability layer is first recognized;

70-66 (D) each liability layer is assigned an
 70-67 amortization period;

70-68 (E) each liability loss layer amortized over a
 70-69 period of 30 years from the first day of the fiscal year beginning

71-1 12 months after the date of the risk sharing valuation study in
 71-2 which the liability loss layer is first recognized, except that the
 71-3 legacy liability must be amortized from July 1, 2016, for a 30-year
 71-4 period beginning July 1, 2017;

71-5 (F) the amortization period for each liability
 71-6 gain layer being:

71-7 (i) equal to the remaining amortization
 71-8 period on the largest remaining liability loss layer and the two
 71-9 layers must be treated as one layer such that if the payoff year of
 71-10 the liability loss layer is accelerated or extended, the payoff
 71-11 year of the liability gain layer is also accelerated or extended; or

71-12 (ii) if there is no liability loss layer, a
 71-13 period of 30 years from the first day of the fiscal year beginning
 71-14 12 months after the date of the risk sharing valuation study in
 71-15 which the liability gain layer is first recognized;

71-16 (G) liability layers, including the legacy
 71-17 liability, funded according to the level percent of payroll method;

71-18 (H) the assumed rate of return, subject to
 71-19 adjustment under Section 8E(c)(5) of this Act or, if Section 8C(g)
 71-20 of this Act applies, adjustment in accordance with a written
 71-21 agreement entered into under Section 3(n) of this Act;

71-22 (I) the price inflation assumption, which may be
 71-23 adjusted by plus or minus 50 basis points by the pension board based
 71-24 on the most recent actuarial experience study;

71-25 (J) projected salary increases and payroll
 71-26 growth rate set in consultation with the city's finance director;

71-27 (K) payroll for purposes of determining the
 71-28 corridor midpoint, city contribution rate, and city contribution
 71-29 amount must be projected using the annual payroll growth rate
 71-30 assumption; and

71-31 (L) the city contribution rate calculated
 71-32 without inclusion of the legacy liability; and

71-33 (6) be revised and restated, if appropriate, not later
 71-34 than the 30th day after the date of a written agreement between the
 71-35 city and the pension board authorized under Section 3(n) of this
 71-36 Act.

71-37 (b) As soon as practicable after the end of a fiscal year,
 71-38 the pension system actuary at the direction of the pension system
 71-39 and the city actuary at the direction of the city shall separately
 71-40 prepare a proposed risk sharing valuation study based on the fiscal
 71-41 year that just ended.

71-42 (c) Not later than October 31 following the end of the
 71-43 fiscal year, the pension system shall provide to the city actuary,
 71-44 under a confidentiality agreement in which the city actuary agrees
 71-45 to comply with the confidentiality provisions of Section 8G of this
 71-46 Act, the actuarial data described by Subsection (a)(2) of this
 71-47 section.

71-48 (d) Not later than the 150th day after the last day of the
 71-49 fiscal year:

71-50 (1) the pension system actuary, at the direction of
 71-51 the pension system, shall provide the proposed risk sharing
 71-52 valuation study prepared by the pension system actuary under
 71-53 Subsection (b) of this section to the city actuary; and

71-54 (2) the city actuary, at the direction of the city,
 71-55 shall provide the proposed risk sharing valuation study prepared by
 71-56 the city actuary under Subsection (b) of this section to the pension
 71-57 system actuary.

71-58 (e) Each actuary described by Subsection (d) of this section
 71-59 may provide copies of the proposed risk sharing valuation studies
 71-60 to the city or the pension system as appropriate.

71-61 (f) If, after exchanging proposed risk sharing valuation
 71-62 studies under Subsection (d) of this section, it is found that the
 71-63 difference between the projected city contribution rate in the
 71-64 proposed risk sharing valuation study prepared by the pension
 71-65 system actuary and the projected city contribution rate in the risk
 71-66 sharing valuation study prepared by the city actuary for the
 71-67 corresponding fiscal year is:

71-68 (1) less than or equal to two percentage points, the
 71-69 city contribution rate proposed by the pension system actuary will

72-1 be used, and the risk sharing valuation study prepared by the
 72-2 pension system is considered to be the final risk sharing valuation
 72-3 study for the fiscal year for the purposes of this Act; or

72-4 (2) greater than two percentage points, the city
 72-5 actuary and the pension system actuary shall have 20 business days
 72-6 to reconcile the difference, provided that without the mutual
 72-7 agreement of both actuaries, the difference in the city
 72-8 contribution rate calculated by the city actuary and the city
 72-9 contribution rate calculated by the pension system actuary may not
 72-10 be further increased and:

72-11 (A) if, as a result of reconciliation efforts
 72-12 under this subdivision, the difference is reduced to less than or
 72-13 equal to two percentage points:

72-14 (i) the city contribution rate proposed
 72-15 under the reconciliation by the pension system actuary will be
 72-16 used; and

72-17 (ii) the pension system's risk sharing
 72-18 valuation study is considered to be the final risk sharing
 72-19 valuation study for the fiscal year for the purposes of this Act; or

72-20 (B) if, after 20 business days, the pension
 72-21 system actuary and the city actuary are not able to reach a
 72-22 reconciliation that reduces the difference to an amount less than
 72-23 or equal to two percentage points, then:

72-24 (i) the city actuary at the direction of the
 72-25 city and the pension system actuary at the direction of the pension
 72-26 system each shall deliver to the finance director of the city and
 72-27 the executive director of the pension system a final risk sharing
 72-28 valuation study with any agreed-to changes, marked as the final
 72-29 risk sharing valuation study for each actuary; and

72-30 (ii) not later than the 90th day before the
 72-31 first day of the next fiscal year, the finance director and the
 72-32 executive director shall execute a joint addendum to the final risk
 72-33 sharing valuation study received under Subparagraph (i) of this
 72-34 paragraph that is a part of the final risk sharing valuation study
 72-35 for the fiscal year for all purposes and reflects the arithmetic
 72-36 average of the city contribution rates for the fiscal year stated in
 72-37 the final risk sharing valuation study.

72-38 (g) The assumptions and methods used and the types of
 72-39 actuarial data and financial information used to prepare the
 72-40 initial risk sharing valuation study under Section 8C of this Act
 72-41 shall be used to prepare each subsequent risk sharing valuation
 72-42 study under this section, unless changed based on the actuarial
 72-43 experience study conducted under Section 8D of this Act.

72-44 (h) The actuarial data provided under Subsection (a)(2) of
 72-45 this section may not include the identifying information of
 72-46 individual members.

72-47 Sec. 8C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR
 72-48 MIDPOINT AND CITY CONTRIBUTION AMOUNTS. (a) The pension system
 72-49 and the city shall separately prepare an initial risk sharing
 72-50 valuation study that is dated as of July 1, 2016, in accordance with
 72-51 this section. An initial risk sharing valuation study must:

72-52 (1) except as otherwise provided by this section, be
 72-53 prepared in accordance with Section 8B of this Act, and for purposes
 72-54 of Section 8B(a)(2) of this Act, be based on actuarial data as of
 72-55 June 30, 2016;

72-56 (2) project the corridor midpoint for 31 fiscal years
 72-57 beginning with the fiscal year beginning July 1, 2017; and

72-58 (3) subject to Subsections (i), (j), and (k) of this
 72-59 section, include a schedule of city contribution amounts for 30
 72-60 fiscal years beginning with the fiscal year beginning July 1, 2017.

72-61 (b) If the following actions are not taken before the year
 72-62 2017 effective date, as soon as practicable after the year 2017
 72-63 effective date:

72-64 (1) the pension system shall provide to the city
 72-65 actuary under a confidentiality agreement the actuarial data needed
 72-66 to prepare the proposed initial risk sharing valuation study;

72-67 (2) not later than the 30th day after the date the
 72-68 city's actuary receives the actuarial data:

72-69 (A) the city actuary, at the direction of the

73-1 city, shall provide a proposed initial risk sharing valuation study
 73-2 to the pension system actuary; and

73-3 (B) the pension system actuary, at the direction
 73-4 of the pension system, shall provide a proposed initial risk
 73-5 sharing valuation study to the city actuary; and

73-6 (3) the city actuary and the pension system actuary
 73-7 shall adopt an initial risk sharing valuation study in accordance
 73-8 with Subsection (c) of this section.

73-9 (c) If, after exchanging proposed initial risk sharing
 73-10 valuation studies under Subsection (b)(2) of this section, it is
 73-11 determined that the difference between the percentage rate computed
 73-12 by dividing the projected total city contribution by the projected
 73-13 pensionable payroll for any fiscal year in the proposed initial
 73-14 risk sharing valuation study prepared by the pension system actuary
 73-15 and in the proposed initial risk sharing valuation study prepared
 73-16 by the city actuary is:

73-17 (1) less than or equal to two percentage points, the
 73-18 city contribution rate and the city contribution amount for that
 73-19 fiscal year as determined by the pension system actuary will be
 73-20 used; or

73-21 (2) greater than two percentage points, the city
 73-22 actuary and the pension system actuary shall have 20 business days
 73-23 to reconcile the difference and:

73-24 (A) if, as a result of reconciliation efforts
 73-25 under this subdivision, the difference in any fiscal year is
 73-26 reduced to less than or equal to two percentage points, the city
 73-27 contribution rate as determined by the pension system actuary for
 73-28 that fiscal year will be used; or

73-29 (B) if, after 20 business days, the city actuary
 73-30 and the pension system actuary are not able to reach a
 73-31 reconciliation that reduces the difference to an amount less than
 73-32 or equal to two percentage points for any fiscal year:

73-33 (i) the city actuary at the direction of the
 73-34 city and the pension system actuary at the direction of the pension
 73-35 system each shall deliver to the finance director of the city and
 73-36 the executive director of the pension system a final initial risk
 73-37 sharing valuation study with any agreed-to changes, marked as the
 73-38 final initial risk sharing valuation study for each actuary; and

73-39 (ii) the finance director and the executive
 73-40 director shall execute a joint addendum to the final initial risk
 73-41 sharing valuation study that is a part of each final initial risk
 73-42 sharing valuation study for all purposes and that reflects the
 73-43 arithmetic average of the city contribution rate and the city
 73-44 contribution amount for each fiscal year in which the difference
 73-45 was greater than two percentage points.

73-46 (d) In preparing the initial risk sharing valuation study,
 73-47 the city actuary and pension system actuary shall:

73-48 (1) adjust the actuarial value of assets to be equal to
 73-49 the current market value of assets;

73-50 (2) assume the issuance of planned pension obligation
 73-51 bonds by December 31, 2017; and

73-52 (3) assume benefit and contribution changes
 73-53 contemplated by this article as of the year 2017 effective date.

73-54 (e) If the city actuary does not prepare an initial risk
 73-55 sharing valuation study for purposes of this section, the pension
 73-56 system actuary's initial risk sharing valuation study will be used
 73-57 as the final risk sharing valuation study for purposes of this Act
 73-58 unless the city did not prepare a proposed initial risk sharing
 73-59 valuation study because the pension system actuary did not provide
 73-60 the necessary actuarial data in a timely manner. If the city did
 73-61 not prepare a proposed initial risk sharing valuation study because
 73-62 the pension system actuary did not provide the necessary actuarial
 73-63 data in a timely manner, the city actuary shall have 60 days to
 73-64 prepare the proposed initial risk sharing valuation study on
 73-65 receipt of the necessary information.

73-66 (f) If the pension system actuary does not prepare a
 73-67 proposed initial risk sharing valuation study for purposes of this
 73-68 section, the proposed initial risk sharing valuation study prepared
 73-69 by the city actuary will be the final risk sharing valuation study

74-1 for purposes of this Act.

74-2 (g) The city and the pension board may agree under Section
74-3 3(n) of this Act on a transition plan for resetting the corridor
74-4 midpoint:

74-5 (1) if at any time the funded ratio is equal to or
74-6 greater than 100 percent; or

74-7 (2) for any fiscal year after the payoff year of the
74-8 legacy liability.

74-9 (h) If the city and the pension board have not entered into
74-10 an agreement described by Subsection (g) of this section in a given
74-11 fiscal year, the corridor midpoint will be the value determined in
74-12 the initial risk sharing valuation study prepared in accordance
74-13 with this section.

74-14 (i) Subject to Subsections (j) and (k) of this section, the
74-15 city contribution amount described by Subsection (a)(3) of this
74-16 section must be a predetermined payment amount expressed in dollars
74-17 under a payment schedule that amortizes the legacy liability using
74-18 the level percent of payroll method and the amortization period and
74-19 payoff year.

74-20 (j) If the city makes a contribution to the pension system
74-21 of at least \$5 million more than the amount that would be required
74-22 by Section 8A(a) of this Act, a liability gain layer with the same
74-23 remaining amortization period as the legacy liability is created.
74-24 In each subsequent risk sharing valuation study until the end of
74-25 that amortization period, the city contribution amount must be
74-26 decreased by the amortized amount in each fiscal year covered by the
74-27 liability gain layer.

74-28 (k) If the city fails to pay to the pension system the
74-29 proceeds of pension obligation bonds by December 31, 2017, the risk
74-30 sharing valuation study prepared for the fiscal year ending June
74-31 30, 2019, must reflect an adjustment to the city contribution
74-32 amount for the amortization period remaining for the legacy
74-33 liability to account for the undelivered bond proceeds, give credit
74-34 for amounts actually paid, and amortize any unpaid amounts over the
74-35 remaining amortization period for the legacy liability. The
74-36 adjusted city contribution amount under this subsection will, for
74-37 purposes of this Act, be considered the city contribution amount
74-38 established in the initial risk sharing valuation study and that
74-39 amount may be restated from time to time in subsequent risk sharing
74-40 valuation studies to reflect adjustments to the amortization
74-41 schedule authorized by Section 8E(c)(3) or 8F(c)(3) of this Act, or
74-42 the city contribution amount authorized by Subsection (i) or (j) of
74-43 this section.

74-44 Sec. 8D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
74-45 every four years, the pension system actuary, at the direction of
74-46 the pension system, shall conduct an actuarial experience study.
74-47 The actuarial experience study required by this subsection must be
74-48 completed not later than September 30 of the year in which the study
74-49 is required to be conducted.

74-50 (b) Except as otherwise expressly provided by Section 8B of
74-51 this Act, actuarial assumptions and methods used in the preparation
74-52 of a risk sharing valuation study, other than the initial risk
74-53 sharing valuation study, shall be based on the results of the most
74-54 recent actuarial experience study.

74-55 (c) Not later than the 180th day before the date the pension
74-56 board may consider adopting any assumptions and methods for
74-57 purposes of Section 8B of this Act, the pension system shall provide
74-58 the city actuary with a substantially final draft of the pension
74-59 system's actuarial experience study, including:

74-60 (1) all assumptions and methods recommended by the
74-61 pension system actuary; and

74-62 (2) summaries of the reconciled actuarial data used in
74-63 creation of the actuarial experience study.

74-64 (d) Not later than the 60th day after the date the city
74-65 receives the final draft of the pension system's actuarial
74-66 experience study under Subsection (c) of this section, the city
74-67 actuary and pension system actuary shall confer and cooperate on
74-68 producing a final actuarial experience study. During the period
74-69 prescribed by this subsection, the pension system actuary may

75-1 modify the recommended assumptions in the draft actuarial
 75-2 experience study to reflect any changes to assumptions and methods
 75-3 to which the pension system actuary and the city actuary agree.

75-4 (e) At the city actuary's written request, the pension
 75-5 system shall provide additional actuarial data used by the pension
 75-6 system actuary to prepare the draft actuarial experience study,
 75-7 provided that confidential data may only be provided subject to a
 75-8 confidentiality agreement entered into between the pension system
 75-9 and the city actuary.

75-10 (f) The city actuary, at the direction of the city, shall
 75-11 provide in writing to the pension system actuary and the pension
 75-12 system:

75-13 (1) any assumptions and methods recommended by the
 75-14 city actuary that differ from the assumptions and methods
 75-15 recommended by the pension system actuary; and

75-16 (2) the city actuary's rationale for each method or
 75-17 assumption the actuary recommends and determines to be consistent
 75-18 with standards adopted by the Actuarial Standards Board.

75-19 (g) Not later than the 30th day after the date the pension
 75-20 system actuary receives the city actuary's written recommended
 75-21 assumptions and methods and rationale under Subsection (f) of this
 75-22 section, the pension system shall provide a written response to the
 75-23 city actuary identifying any assumption or method recommended by
 75-24 the city actuary that the pension system does not accept. If any
 75-25 assumption or method is not accepted, the pension system shall
 75-26 recommend to the city the names of three independent actuaries for
 75-27 purposes of this section.

75-28 (h) An actuary may only be recommended, selected, or engaged
 75-29 by the pension system as an independent actuary under this section
 75-30 if the person:

75-31 (1) is not already engaged by the city, the pension
 75-32 system, or any other pension system or fund authorized under
 75-33 Article 6243e.2(1) or 6243g-4, Revised Statutes, to provide
 75-34 actuarial services to the city, the pension system, or another
 75-35 pension system or fund;

75-36 (2) is a member of the American Academy of Actuaries;
 75-37 and

75-38 (3) has at least five years of experience as an actuary
 75-39 working with one or more public retirement systems with assets in
 75-40 excess of \$1 billion.

75-41 (i) Not later than the 20th day after the date the city
 75-42 receives the list of three independent actuaries under Subsection
 75-43 (g) of this section, the city shall identify and the pension system
 75-44 shall hire one of the listed independent actuaries on terms
 75-45 acceptable to the city and the pension system to perform a scope of
 75-46 work acceptable to the city and the pension system. The city and
 75-47 the pension system each shall pay 50 percent of the cost of the
 75-48 independent actuary engaged under this subsection. The city shall
 75-49 be provided the opportunity to participate in any communications
 75-50 between the independent actuary and the pension system concerning
 75-51 the engagement, engagement terms, or performance of the terms of
 75-52 the engagement.

75-53 (j) The independent actuary engaged under Subsection (i) of
 75-54 this section shall receive on request from the city or the pension
 75-55 system:

75-56 (1) the pension system's draft actuarial experience
 75-57 study, including all assumptions and methods recommended by the
 75-58 pension system actuary;

75-59 (2) summaries of the reconciled actuarial data used to
 75-60 prepare the draft actuarial experience study;

75-61 (3) the city actuary's specific recommended
 75-62 assumptions and methods together with the city actuary's written
 75-63 rationale for each recommendation;

75-64 (4) the pension system actuary's written rationale for
 75-65 its recommendations; and

75-66 (5) if requested by the independent actuary and
 75-67 subject to a confidentiality agreement, additional confidential
 75-68 actuarial data.

75-69 (k) Not later than the 30th day after the date the

76-1 independent actuary receives all the requested information under
 76-2 Subsection (j) of this section, the independent actuary shall
 76-3 advise the pension system and the city whether it agrees with the
 76-4 assumption or method recommended by the city actuary or the
 76-5 corresponding method or assumption recommended by the pension
 76-6 system actuary, together with the independent actuary's rationale
 76-7 for making the determination. During the period prescribed by this
 76-8 subsection, the independent actuary may discuss recommendations in
 76-9 simultaneous consultation with the pension system actuary and the
 76-10 city actuary.

76-11 (l) The pension system and the city may not seek any
 76-12 information from any prospective independent actuary about
 76-13 possible outcomes of the independent actuary's review.

76-14 (m) If an independent actuary has questions or concerns
 76-15 regarding an engagement entered into under this section, the
 76-16 independent actuary shall simultaneously consult with both the city
 76-17 actuary and the pension system actuary regarding the questions or
 76-18 concerns. This subsection does not limit the pension system's
 76-19 authorization to take appropriate steps to complete the engagement
 76-20 of the independent actuary on terms acceptable to both the pension
 76-21 system and the city or to enter into a confidentiality agreement
 76-22 with the independent actuary, if needed.

76-23 (n) If the pension board does not adopt an assumption or
 76-24 method recommended by the city or pension system actuary and to
 76-25 which the independent actuary agrees, the city actuary is
 76-26 authorized to use that recommended assumption or method in
 76-27 connection with preparation of a risk sharing valuation study under
 76-28 Section 8B of this Act until the next actuarial experience study is
 76-29 conducted.

76-30 Sec. 8E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
 76-31 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR
 76-32 CERTAIN ADJUSTMENTS. (a) This section governs the determination
 76-33 of the city contribution rate applicable in a fiscal year if the
 76-34 estimated city contribution rate under a risk sharing valuation
 76-35 study prepared under Section 8B or 8C of this Act, as applicable, is
 76-36 lower than the corridor midpoint.

76-37 (b) If the funded ratio is:

76-38 (1) less than 90 percent and the proposed city
 76-39 contribution rate is equal to or greater than the minimum
 76-40 contribution rate, the city contribution rate for the fiscal year
 76-41 equals the corridor midpoint; or

76-42 (2) equal to or greater than 90 percent and the city
 76-43 contribution rate is:

76-44 (A) equal to or greater than the minimum
 76-45 contribution rate, the estimated city contribution rate is the city
 76-46 contribution rate for the fiscal year; or

76-47 (B) except as provided by Subsection (d) or (e)
 76-48 of this section, less than the minimum contribution rate for the
 76-49 corresponding fiscal year, the city contribution rate for the
 76-50 fiscal year equals the minimum contribution rate achieved in
 76-51 accordance with Subsection (c) of this section.

76-52 (c) For purposes of Subsection (b)(2)(B) of this section,
 76-53 the following adjustments shall be applied sequentially to the
 76-54 extent required to increase the estimated city contribution rate to
 76-55 equal the minimum contribution rate:

76-56 (1) first, adjust the actuarial value of assets equal
 76-57 to the current market value of assets, if making the adjustment
 76-58 causes the city contribution rate to increase;

76-59 (2) second, under a written agreement between the city
 76-60 and the pension board under Section 3(n) of this Act entered into
 76-61 not later than the 30th day before the first day of the next fiscal
 76-62 year, prospectively restore all or part of any benefit reductions
 76-63 or reduce increased employee contributions, in each case made after
 76-64 the year 2017 effective date;

76-65 (3) third, accelerate the payoff year of the legacy
 76-66 liability by offsetting the remaining legacy liability by the
 76-67 amount of the new liability loss layer, provided that during the
 76-68 accelerated period the city will continue to pay the city
 76-69 contribution amount as scheduled in the initial risk sharing

77-1 valuation study, subject to Section 8C(i) or (j) of this Act;
 77-2 (4) fourth, accelerate the payoff year of existing
 77-3 liability loss layers, excluding the legacy liability, by
 77-4 accelerating the oldest liability loss layers first, to an
 77-5 amortization period of not less than 20 years from the first day of
 77-6 the fiscal year beginning 12 months after the date of the risk
 77-7 sharing valuation study in which the liability loss layer is first
 77-8 recognized; and

77-9 (5) fifth, under a written agreement between the city
 77-10 and the pension board under Section 3(n) of this Act entered into
 77-11 not later than the 30th day before the first day of the next fiscal
 77-12 year, the city and the pension board may agree to reduce the assumed
 77-13 rate of return.

77-14 (d) If the funded ratio is:

77-15 (1) equal to or greater than 100 percent:

77-16 (A) all existing liability layers, including the
 77-17 legacy liability, are considered fully amortized and paid;

77-18 (B) the city contribution amount may no longer be
 77-19 included in the city contribution under Section 8A of this Act; and

77-20 (C) the city and the pension system may mutually
 77-21 agree to change assumptions in a written agreement entered into
 77-22 between the city and the pension board under Section 3(n) of this
 77-23 Act; and

77-24 (2) greater than 100 percent in a written agreement
 77-25 between the city and the pension system entered into under Section
 77-26 3(n) of this Act, the pension system may reduce member
 77-27 contributions or increase pension benefits if as a result of the
 77-28 action:

77-29 (A) the funded ratio is not less than 90 percent;
 77-30 and

77-31 (B) the city contribution rate is not more than
 77-32 the minimum contribution rate.

77-33 (e) Except as provided by Subsection (f) of this section, if
 77-34 an agreement under Subsection (d) of this section is not reached on
 77-35 or before the 30th day before the first day of the next fiscal year,
 77-36 before the first day of the next fiscal year, the pension board
 77-37 shall reduce member contributions and implement or increase
 77-38 cost-of-living adjustments, but only to the extent that the city
 77-39 contribution rate is set at or below the minimum contribution rate
 77-40 and the funded ratio is not less than 90 percent.

77-41 (f) If any member contribution reduction or benefit
 77-42 increase has occurred within the previous three fiscal years, the
 77-43 pension board may not make additional adjustments to benefits, and
 77-44 the city contribution rate must be set to equal the minimum
 77-45 contribution rate.

77-46 Sec. 8F. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
 77-47 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;
 77-48 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs
 77-49 the determination of the city contribution rate in a fiscal year
 77-50 when the estimated city contribution rate under a risk sharing
 77-51 valuation study prepared under Section 8B or 8C of this Act, as
 77-52 applicable, is equal to or greater than the corridor midpoint.

77-53 (b) If the estimated city contribution rate is:

77-54 (1) less than or equal to the maximum contribution
 77-55 rate for the corresponding fiscal year, the estimated city
 77-56 contribution rate is the city contribution rate; or

77-57 (2) except as provided by Subsection (d) or (f) of this
 77-58 section, greater than the maximum contribution rate for the
 77-59 corresponding fiscal year, the city contribution rate equals the
 77-60 corridor midpoint achieved in accordance with Subsection (c) of
 77-61 this section.

77-62 (c) For purposes of Subsection (b)(2) of this section, the
 77-63 following adjustments shall be applied sequentially to the extent
 77-64 required to decrease the estimated city contribution rate to equal
 77-65 the corridor midpoint:

77-66 (1) first, adjust the actuarial value of assets to the
 77-67 current market value of assets, if making the adjustment causes the
 77-68 city contribution rate to decrease;

77-69 (2) second, if the payoff year of the legacy liability

78-1 was accelerated under Section 8E(c) of this Act:

78-2 (A) extend the payoff year of the legacy
78-3 liability by increasing the legacy liability by the amount of the
78-4 new liability gain layer to a maximum amount; and

78-5 (B) during the extended period provided by
78-6 Paragraph (A) of this subdivision, the city shall continue to pay
78-7 the city contribution amount for the extended period in accordance
78-8 with the schedule included in the initial risk sharing valuation
78-9 study, subject to Section 8C(j) or (k) of this Act; and

78-10 (3) third, if the payoff year of a liability loss layer
78-11 other than the legacy liability was previously accelerated under
78-12 Section 8E(c) of this Act, extend the payoff year of existing
78-13 liability loss layers, excluding the legacy liability, by extending
78-14 the most recent loss layers first, to a payoff year not later than
78-15 30 years from the first day of the fiscal year beginning 12 months
78-16 after the date of the risk sharing valuation study in which the
78-17 liability loss layer is first recognized.

78-18 (d) If the city contribution rate after adjustment under
78-19 Subsection (c) of this section is greater than the third quarter
78-20 line rate, the city contribution rate equals the third quarter line
78-21 rate. To the extent necessary to comply with this subsection, the
78-22 city and the pension board shall enter into a written agreement
78-23 under Section 3(n) of this Act to increase member contributions and
78-24 make other benefit or plan changes not otherwise prohibited by
78-25 applicable federal law or regulations.

78-26 (e) Gains resulting from adjustments made as the result of a
78-27 written agreement between the city and the pension board under
78-28 Subsection (d) of this section must be applied to the city
78-29 contribution rate and not to the legacy liability.

78-30 (f) If an agreement under Subsection (d) of this section is
78-31 not reached on or before the 30th day before the first day of the
78-32 next fiscal year, before the start of the next fiscal year to which
78-33 the city contribution rate would apply, the pension board, to the
78-34 extent necessary to set the city contribution rate equal to the
78-35 third quarter line rate, shall:

78-36 (1) increase member contributions; and

78-37 (2) decrease cost-of-living adjustments.

78-38 (g) If the city contribution rate remains greater than the
78-39 corridor midpoint in the third fiscal year after adjustments are
78-40 made in accordance with an agreement under Subsection (d) of this
78-41 section, in that fiscal year the city contribution rate equals the
78-42 corridor midpoint achieved in accordance with Subsection (h) of
78-43 this section.

78-44 (h) The city contribution rate must be set at the corridor
78-45 midpoint under Subsection (g) of this section by:

78-46 (1) in the risk sharing valuation study for the third
78-47 fiscal year described by Subsection (g) of this section, adjusting
78-48 the actuarial value of assets to equal the current market value of
78-49 assets, if making the adjustment causes the city contribution rate
78-50 to decrease; and

78-51 (2) under a written agreement entered into between the
78-52 city and the pension board under Section 3(n) of this Act:

78-53 (A) increasing member contributions; and

78-54 (B) making any other benefit or plan changes not
78-55 otherwise prohibited by applicable federal law or regulations.

78-56 (i) If an agreement under Subsection (h)(2) of this section
78-57 is not reached on or before the 30th day before the first day of the
78-58 next fiscal year, before the start of the next fiscal year, the
78-59 pension board, to the extent necessary to set the city contribution
78-60 rate equal to the corridor midpoint, shall:

78-61 (1) increase member contributions; and

78-62 (2) decrease cost-of-living adjustments.

78-63 Sec. 8G. CONFIDENTIALITY. (a) The information, data, and
78-64 document exchanges under Sections 8A through 8F of this Act have all
78-65 the protections afforded by applicable law and are expressly exempt
78-66 from the disclosure requirements under Chapter 552, Government
78-67 Code, except as may be agreed to by the city and pension system in a
78-68 written agreement under Section 3(n) of this Act.

78-69 (b) Subsection (a) of this section does not apply to final

79-1 risk sharing valuation studies prepared under Sections 8B and 8C of
 79-2 this Act.

79-3 (c) A risk sharing valuation study prepared by either the
 79-4 city actuary or the pension system actuary under Sections 8A
 79-5 through 8F of this Act may not:

79-6 (A) include information in a form that includes
 79-7 identifiable information relating to a specific individual; or

79-8 (B) provide confidential or private information
 79-9 regarding specific individuals or be grouped in a manner that
 79-10 allows confidential or private information regarding a specific
 79-11 individual to be discerned.

79-12 Sec. 8H. UNILATERAL ACTION PROHIBITED. No unilateral
 79-13 decision or action by the pension board is binding on the city and
 79-14 no unilateral action by the city is binding on the pension system
 79-15 with respect to the application of Sections 8A through 8F of this
 79-16 Act unless expressly provided by a provision of those sections.
 79-17 Nothing in this section is intended to limit the powers or authority
 79-18 of the pension board.

79-19 SECTION 3.12. Section 9(c), Chapter 88 (H.B. 1573), Acts of
 79-20 the 77th Legislature, Regular Session, 2001 (Article 6243h,
 79-21 Vernon's Texas Civil Statutes), is amended to read as follows:

79-22 (c) If a member dies and there are no eligible survivors to
 79-23 receive the allowance provided for in Section 14 of this Act, the
 79-24 member's spouse [beneficiary] or, if there is no spouse
 79-25 [beneficiary], the member's estate shall receive the refund amount.

79-26 SECTION 3.13. Section 10, Chapter 88 (H.B. 1573), Acts of
 79-27 the 77th Legislature, Regular Session, 2001 (Article 6243h,
 79-28 Vernon's Texas Civil Statutes), is amended by amending Subsections
 79-29 (b), (d), (e), (g), and (h) and adding Subsections (c-1), (d-1),
 79-30 (d-2), and (e-1) to read as follows:

79-31 (b) A group A or group B member of the pension system who
 79-32 terminates employment is eligible for a normal retirement pension
 79-33 beginning on the member's effective retirement date after the date
 79-34 the member completes at least five years of credited service and
 79-35 attains either:

79-36 (1) 62 years of age; or

79-37 (2) subject to Section 6(a-2) of this Act, a
 79-38 combination of years of age and years of credited service,
 79-39 including parts of years, the sum of which equals or is greater than
 79-40 the number:

79-41 (A) 75, provided the member is at least 50 years
 79-42 of age; or

79-43 (B) 70, provided the member attained a
 79-44 combination of years of age and years of credited service,
 79-45 including parts of years, the sum of which equals or is greater than
 79-46 the number 68 before December 31, 2004.

79-47 (c-1) A group D member who terminates employment is eligible
 79-48 for a normal retirement pension beginning on the member's effective
 79-49 retirement date after the date the member completes at least five
 79-50 years of credited service and attains 62 years of age.

79-51 (d) The amount of the monthly normal retirement pension
 79-52 payable to an eligible:

79-53 (1) ~~retired~~ group A or group B member who retires on
 79-54 or before December 31, 2004, shall be determined under the
 79-55 provisions in effect on December 31, 2004, subject to Section 17 of
 79-56 this Act;

79-57 (2) group A member who retires after December 31,
 79-58 2004, is equal to the sum of:

79-59 (A) the member's accrued monthly normal
 79-60 retirement pension based on the member's years of credited service
 79-61 that were earned before December 31, 2004, determined under the law
 79-62 in effect on December 31, 2004, subject to Section 17 of this Act;

79-63 (B) the member's average monthly salary
 79-64 multiplied by 2.5 [3-1/4] percent for each year of the member's 20
 79-65 years of credited service in group A during the member's first 20
 79-66 [10] years of service that is earned after December 31, 2004; [7
 79-67 3-1/2 percent for each of the member's years of credited service in
 79-68 group A during the member's next 10 years of service,] and

79-69 (C) the member's average monthly salary

80-1 multiplied by 3.25 [~~4-1/4~~] percent for each year of credited
 80-2 service of the member in group A during the member's years of
 80-3 service in excess of the 20 years described under Paragraph (B) of
 80-4 this subdivision that is earned after December 31, 2004; or

80-5 (3) group B member who retires after December 31,
 80-6 2004, is equal to the sum of:

80-7 (A) the member's accrued monthly normal
 80-8 retirement pension based on the member's years of credited service
 80-9 that were earned before December 31, 2004, determined under the law
 80-10 in effect on December 31, 2004, subject to Section 17 of this Act;

80-11 (B) the member's average monthly salary
 80-12 multiplied by 1.75 percent for each year of the member's years of
 80-13 credited service in group B during the member's first 10 years of
 80-14 service that is earned after December 31, 2004;

80-15 (C) the member's average monthly salary
 80-16 multiplied by two percent for each of the member's years of credited
 80-17 service in group B in excess of the 10 years described under
 80-18 Paragraph (B) of this subdivision that is earned after December 31,
 80-19 2004; and

80-20 (D) the member's average monthly salary
 80-21 multiplied by 2.5 percent for each year of credited service of the
 80-22 member in group B during the member's years of service in excess of
 80-23 20 years that is earned after December 31, 2004.

80-24 (d-1) For purposes of Subsection (d) of this section,
 80-25 service credit is rounded to the nearest one-twelfth of a year [~~For~~
 80-26 purposes of this subsection, service credit is rounded to the
 80-27 nearest one-twelfth of a year. The normal retirement pension of a
 80-28 retired group A member may not exceed 90 percent of the member's
 80-29 average monthly salary].

80-30 (d-2) The amount of the monthly normal retirement pension
 80-31 payable to an eligible group D member who retires on or after
 80-32 January 1, 2008, is equal to the sum of:

80-33 (1) the member's average monthly salary multiplied by
 80-34 1.8 percent for each year of the member's years of credited service
 80-35 in group D during the member's first 25 years of service; and

80-36 (2) the member's average monthly salary multiplied by
 80-37 1 percent for each year of credited service of the member in group D
 80-38 during the member's years of service in excess of 25 years.

80-39 (e) A group D member who terminates employment with the city
 80-40 or the pension system may elect to receive an early retirement
 80-41 pension payable as a reduced benefit if the member has attained:

80-42 (1) at least 10 years of credited service and is at
 80-43 least 55 years of age; or

80-44 (2) five years of credited service and a combination
 80-45 of years of age and years of credited service, including parts of
 80-46 years, the sum of which equals or is greater than the number 75.

80-47 (e-1) The amount of the early retirement pension payable to
 80-48 a retired group D member under Subsection (e) of this section shall
 80-49 be equal to the monthly normal retirement pension reduced by 0.25
 80-50 percent for each month the member is less than 62 years of age at
 80-51 retirement [~~monthly normal retirement pension payable to an~~
 80-52 eligible retired group B member equals the member's average monthly
 80-53 salary multiplied by 1-3/4 percent for each year of the member's
 80-54 years of credited service in group B during the member's first 10
 80-55 years of service, 2 percent for each of the member's years of
 80-56 credited service in group B during the member's next 10 years of
 80-57 service, and 2-3/4 percent for each year of credited service of the
 80-58 member in group B during the member's years of service in excess of
 80-59 20 years. For purposes of this subsection, service credit is
 80-60 rounded to the nearest one-twelfth of a year. The normal retirement
 80-61 pension of a retired group B member may not exceed 90 percent of the
 80-62 member's average monthly salary].

80-63 (g) Notwithstanding any other provision of this Act, the
 80-64 total normal retirement pension of a retired member with credited
 80-65 service in group A, group B, [~~or~~] group C, or group D may not exceed
 80-66 90 percent of the member's average monthly salary.

80-67 (h) On or after February 1, 2018, and for [~~For~~] future
 80-68 payments only, pension benefits for all group A retirees and group B
 80-69 retirees, and for all group D retirees who terminated employment on

81-1 or after the year 2017 effective date with at least five years of
 81-2 credited service, and survivor benefits for ~~[all retirees and]~~
 81-3 eligible survivors of a former member of group A or group B, or of a
 81-4 former member of group D who terminated employment on or after the
 81-5 year 2017 effective date with at least five years of credited
 81-6 service, shall be increased annually by the cost-of-living
 81-7 adjustment percentage ~~[four percent]~~, not compounded, for all such
 81-8 eligible persons receiving a pension or survivor benefit as of
 81-9 January 1 of the year in which the increase is made.

81-10 SECTION 3.14. Chapter 88 (H.B. 1573), Acts of the 77th
 81-11 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas
 81-12 Civil Statutes), is amended by adding Section 10A to read as
 81-13 follows:

81-14 Sec. 10A. GROUP D MEMBER HYBRID COMPONENT. (a) On and
 81-15 after January 1, 2018, in addition to the group D member
 81-16 contributions under Section 8 of this Act, each group D member shall
 81-17 contribute one percent of the member's salary for each biweekly pay
 81-18 period beginning with the member's first full biweekly pay period
 81-19 after the later of January 1, 2018, or the group D member's first
 81-20 date of employment. The contribution required by this subsection:

81-21 (1) shall be picked up and paid in the same manner and
 81-22 at the same time as group D member contributions required under
 81-23 Section 8(a)(3) of this Act;

81-24 (2) is separate from and in addition to the group D
 81-25 member contribution under Section 8(a)(3) of this Act; and

81-26 (3) is not subject to reduction or increase under
 81-27 Sections 8A through 8F of this Act or a refund under Section 17 of
 81-28 this Act.

81-29 (b) For each biweekly pay period of a group D member's
 81-30 service for which the group D member makes the contribution
 81-31 required under Subsection (a) of this section, the following
 81-32 amounts shall be credited to a notional account, known as a cash
 81-33 balance account, for the group D member:

81-34 (1) the amount of the contributions paid under
 81-35 Subsection (a) of this section for that biweekly pay period; and

81-36 (2) interest on the balance of the group D member's
 81-37 cash balance account determined by multiplying:

81-38 (A) an annual rate that is one-half the pension
 81-39 system's five-year investment return based on a rolling
 81-40 five-fiscal-year basis and net of investment expenses, with a
 81-41 minimum annual rate of 2.5 percent and a maximum annual rate of 7.5
 81-42 percent, and divided by 26; and

81-43 (B) the amount credited to the group D member's
 81-44 cash balance account as of the end of the biweekly pay period.

81-45 (c) The pension system may not pay interest on amounts
 81-46 credited to a cash balance account but not received by the pension
 81-47 system under Subsection (b) of this section.

81-48 (d) On separation from service, a group D member is eligible
 81-49 to receive only a distribution of the contributions credited to
 81-50 that group D member's cash balance account, without interest, until
 81-51 the group D member has attained at least one year of service while
 81-52 contributing to the cash balance account. On attainment of at least
 81-53 one year of service while contributing to the cash balance account,
 81-54 a group D member is fully vested in the accrued benefit represented
 81-55 by that group D member's cash balance account, including interest.

81-56 (e) In a manner and form prescribed by the pension board, a
 81-57 group D member who terminates employment is eligible to elect to
 81-58 receive the group D member's cash balance account benefit in a
 81-59 lump-sum payment, in substantially equal periodic payments, in a
 81-60 partial lump-sum payment followed by substantially equal periodic
 81-61 payments, or in partial payments from the group D member's cash
 81-62 balance account.

81-63 (f) Contributions may not be made to a group D member's cash
 81-64 balance account for a period that occurs after the date the group D
 81-65 member terminates employment, except that interest at a rate that
 81-66 is not greater than the rate determined by the pension board under
 81-67 Subsection (b)(2) of this section may be credited based on the
 81-68 former group D member's undistributed cash balance account after
 81-69 the date the group D member terminates employment.

82-1 (g) On the death of a group D member or former group D member
 82-2 before the full distribution of the member's cash balance account,
 82-3 the deceased member's cash balance account shall be payable in a
 82-4 single lump-sum payment to:

82-5 (1) the deceased member's surviving spouse;
 82-6 (2) if there is no surviving spouse, each designated
 82-7 beneficiary of the deceased member, designated in the manner and on
 82-8 a form prescribed by the pension board; or
 82-9 (3) if there is no designated beneficiary, to the
 82-10 deceased member's estate.

82-11 (h) The lump-sum payment described by Subsection (g) of this
 82-12 section shall be made within a reasonable time after the pension
 82-13 board has determined that the individual or estate is eligible for
 82-14 the distribution.

82-15 (i) Subject to the other provisions of this section, the
 82-16 pension board may adopt rules necessary to implement this section,
 82-17 including rules regarding the payment of the cash balance account
 82-18 and limitations on the timing and frequency of payments. All
 82-19 distributions and changes in the form of distribution must be made
 82-20 in a manner and at a time that complies with the Internal Revenue
 82-21 Code of 1986.

82-22 SECTION 3.15. Section 11, Chapter 88 (H.B. 1573), Acts of
 82-23 the 77th Legislature, Regular Session, 2001 (Article 6243h,
 82-24 Vernon's Texas Civil Statutes), is amended to read as follows:

82-25 Sec. 11. OPTION-ELIGIBLE PARTICIPANTS [~~GROUP B RETIREMENT~~
 82-26 ~~OPTIONS~~]. (a) In this section, "J&S Annuity" means payment of a
 82-27 normal retirement pension or early retirement pension under one of
 82-28 the options provided by Subsection (b) of this section.

82-29 (a-1) For purposes of this section, an option-eligible
 82-30 participant is:

82-31 (1) a former group A or group B member who terminates
 82-32 employment with the city or the pension system on or after June 30,
 82-33 2011, and who is eligible to receive a normal retirement pension,
 82-34 provided the member was not married as of the date of the member's
 82-35 termination of employment;

82-36 (2) a former group B member who terminated employment
 82-37 with the city or the predecessor system before September 1, 1997,
 82-38 and who is eligible to receive a normal retirement pension; or

82-39 (3) a former group D member who terminated employment
 82-40 with the city or the pension system and who is eligible to receive a
 82-41 normal retirement pension or an early retirement pension.

82-42 (a-2) The pension board, in its sole discretion, shall make
 82-43 determinations regarding an individual's status as an
 82-44 option-eligible participant.

82-45 (a-3) Before the date an option-eligible participant
 82-46 commences receipt of a benefit, that option-eligible participant [A
 82-47 group B member who terminated employment with the city or the
 82-48 predecessor system before September 1, 1997,] must elect, in a
 82-49 manner and at a time determined by the pension board, [before the
 82-50 member's effective retirement date] whether to receive [have] the
 82-51 participant's [member's] normal retirement pension or early
 82-52 retirement pension, as applicable, or to have the option-eligible
 82-53 participant's normal retirement pension or early retirement
 82-54 pension, as applicable, paid under one of the options provided by
 82-55 Subsection (b) of this section. The election may be revoked, in a
 82-56 manner and at a time established by the pension board, not later
 82-57 than the 60th day before the date the participant commences receipt
 82-58 of a benefit [member's effective retirement date].

82-59 (b) The normal retirement pension or early retirement
 82-60 pension may be one of the following actuarially equivalent amounts:

82-61 (1) option 1: a reduced pension payable to the
 82-62 participant [member], then on the participant's [member's] death
 82-63 one-half of the amount of that reduced pension is payable to the
 82-64 participant's [member's] designated survivor, for life;

82-65 (2) option 2: a reduced pension payable to the
 82-66 participant [member], then on the participant's [member's] death
 82-67 that same reduced pension is payable to the participant's
 82-68 [member's] designated survivor, for life; and

82-69 (3) option 3: a reduced pension payable to the

83-1 participant [member], and if the participant [member] dies within
 83-2 10 years, the pension is paid to the participant's [member's]
 83-3 designated survivor for the remainder of the 10-year period
 83-4 beginning on the participant's benefit commencement [member's
 83-5 effective retirement] date.

83-6 (c) If an option-eligible participant [a former group B
 83-7 member] who has made the election provided by Subsection (b) of this
 83-8 section dies after terminating employment with at least five years
 83-9 of credited service but before attaining the age required to begin
 83-10 receiving a normal or early retirement pension, the person's
 83-11 designated survivor is eligible for the J&S Annuity [benefits]
 83-12 provided by the option selected by the option-eligible participant
 83-13 [former member] at the time of separation from service. The
 83-14 benefits first become payable to an eligible designated survivor on
 83-15 the date the option-eligible participant [former member] would have
 83-16 become eligible to begin receiving a pension. If the designated
 83-17 survivor elects for earlier payment, in a time and manner
 83-18 determined by the pension board, the actuarial equivalent of that
 83-19 amount shall be payable at that earlier date.

83-20 (d) A survivor benefit under Subsection (c) of this section
 83-21 or a J&S Annuity is not payable if:

83-22 (1) except as provided by Subsection (e) of this
 83-23 section, an option-eligible participant [If a former group B member
 83-24 under Subsection (a) of this section] does not elect one of the J&S
 83-25 Annuity options under Subsection (b) of this section and dies
 83-26 before retirement has commenced;

83-27 (2) an option-eligible participant elects a normal
 83-28 retirement pension or early retirement pension and dies before
 83-29 retirement has commenced; or

83-30 (3) an option-eligible participant dies after
 83-31 retirement has commenced and that option-eligible participant:

83-32 (A) elected a normal retirement pension or early
 83-33 retirement pension;

83-34 (B) did not make a valid election under
 83-35 Subsection (b) of this section; or

83-36 (C) made an election that is void[, a survivor
 83-37 benefit is not payable].

83-38 (e) An option-eligible participant described by Subsection
 83-39 (a-1)(3) of this section who did not elect one of the J&S Annuity
 83-40 options under Subsection (b) of this section is considered to have
 83-41 elected a J&S Annuity option under Subsection (b)(1) of this
 83-42 section and to have designated the participant's surviving spouse
 83-43 as the optional annuitant if the participant:

83-44 (1) was not in service with the city or the pension
 83-45 system at the time of the participant's death;

83-46 (2) is survived by a surviving spouse; and

83-47 (3) dies before the participant's retirement has
 83-48 commenced.

83-49 (f) If the option-eligible participant described by
 83-50 Subsection (e) of this section has no surviving spouse, a survivor
 83-51 benefit or J&S Annuity is not payable. If a J&S Annuity is paid
 83-52 under Subsection (e) of this section, a survivor benefit is not
 83-53 payable under this subsection or under Section 14 of this Act.

83-54 (g) If Subsection (d) of this section would otherwise apply
 83-55 to prohibit the payment of a survivor benefit or J&S Annuity, but
 83-56 there is one or more dependent children of the deceased
 83-57 option-eligible participant, the provisions of Section 14 of this
 83-58 Act control the payment of survivor benefits to the dependent child
 83-59 or children. The pension system may not pay both a J&S Annuity
 83-60 under this section and a survivor benefit under Section 14 of this
 83-61 Act with respect to any option-eligible participant. If a J&S
 83-62 Annuity is paid under Subsection (e) of this section, a survivor
 83-63 benefit is not payable.

83-64 (h) If an option-eligible participant has previously
 83-65 elected a J&S Annuity for a previous period of service, no benefits
 83-66 have been paid under that previous election, and the
 83-67 option-eligible participant terminates employment on or after
 83-68 January 1, 2012, the previous election is void and the
 83-69 option-eligible participant shall make an election under

84-1 Subsection (b) of this section to apply to all periods of service.

84-2 (i) If a former group B member with service before September
 84-3 1, 1997, was rehired in a covered position and converted the group B
 84-4 service covered by a J&S Annuity to group A service, and that member
 84-5 terminates employment on or after January 1, 2012, and is not an
 84-6 option-eligible participant at the time of the member's subsequent
 84-7 termination, the previous election is void and survivor benefits
 84-8 for an eligible survivor, if any, are payable as provided by Section
 84-9 14 of this Act, provided benefits were not paid under the previous
 84-10 election.

84-11 (j) If an option-eligible participant who elects a J&S
 84-12 Annuity under this section designates the participant's spouse as a
 84-13 designated survivor and the marriage is later dissolved by divorce,
 84-14 annulment, or a declaration that the marriage is void, the
 84-15 designation is void unless the participant reaffirms the
 84-16 designation after the marriage was dissolved.

84-17 (k) A J&S Annuity payable to a designated survivor is
 84-18 effective on the first day of the month following the month of the
 84-19 option-eligible participant's death and ceases on the last day of
 84-20 the month of the designated survivor's death or on the last day of
 84-21 the month in which the survivor otherwise ceases to be eligible to
 84-22 receive a J&S Annuity.

84-23 SECTION 3.16. Section 12(a)(5), Chapter 88 (H.B. 1573),
 84-24 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,
 84-25 Vernon's Texas Civil Statutes), is amended to read as follows:

84-26 (5) "DROP entry date" means the date a member ceases to
 84-27 earn service credit and begins earning credit for the member's DROP
 84-28 account, which is the later of the date the member is eligible to
 84-29 participate in the DROP, the date requested by the member, or
 84-30 October 1, 1997, as approved by the pension board. The DROP entry
 84-31 date is the first day of a month and is determined by the normal
 84-32 retirement eligibility requirements of this Act or of Chapter 358,
 84-33 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,
 84-34 Vernon's Texas Civil Statutes), as applicable, in effect on the
 84-35 requested DROP entry date. A member who enters DROP on or after
 84-36 January 1, 2005, may not have a DROP entry date that occurs before
 84-37 the date the pension system receives the member's request to
 84-38 participate in DROP.

84-39 SECTION 3.17. Section 12, Chapter 88 (H.B. 1573), Acts of
 84-40 the 77th Legislature, Regular Session, 2001 (Article 6243h,
 84-41 Vernon's Texas Civil Statutes), is amended by adding Subsections
 84-42 (b-1), (d-1), (o-1), (r), (s), and (t) and amending Subsections
 84-43 (d), (f), (g), (h), (j), (k), (m), (o), and (p) to read as follows:

84-44 (b-1) Notwithstanding Subsection (b) of this section, for
 84-45 DROP participation beginning on or after January 1, 2005, a member
 84-46 must meet the normal retirement eligibility requirements under
 84-47 Section 10(b), 10(c), or 10(c-1) of this Act to be eligible to elect
 84-48 to participate in DROP. This subsection does not apply to a member
 84-49 who:

84-50 (1) met the eligibility requirements under Section
 84-51 10(b) of this Act in effect before January 1, 2005; or

84-52 (2) before January 1, 2005, had at least five years of
 84-53 credited service and a combination of years of age and years of
 84-54 credited service, including parts of years, the sum of which
 84-55 equaled or was greater than 68.

84-56 (d) Credited service and normal retirement benefits cease
 84-57 to accrue on the day preceding the member's DROP entry date. The
 84-58 period of a member's DROP participation, unless revoked as provided
 84-59 by Subsection (j) of this section, begins on the DROP participant's
 84-60 DROP entry date and ends on the date of the DROP participant's last
 84-61 day of active service with the city or the pension system. On the
 84-62 first day of the month following the month in which the pension
 84-63 board approves the member's DROP election, the DROP election
 84-64 becomes effective and the pension board shall establish a DROP
 84-65 account for the DROP participant. For each month during the period
 84-66 of DROP participation before a DROP participant's termination of
 84-67 employment, the following amounts shall be credited to the DROP
 84-68 participant's DROP account, including prorated amounts for partial
 84-69 months of service:

85-1 (1) an amount equal to what would have been the DROP
 85-2 participant's monthly normal retirement benefit if the DROP
 85-3 participant had retired on the DROP participant's DROP entry date,
 85-4 except that the monthly amount shall be computed based on the DROP
 85-5 participant's credited service and average monthly salary as of the
 85-6 DROP entry date and the benefit accrual rates and maximum allowable
 85-7 benefit applicable on the DROP election date, with the
 85-8 cost-of-living adjustments payable under Subsection (s) of this
 85-9 section, if any, that would apply if the DROP participant had
 85-10 retired on the DROP participant's DROP entry date; and

85-11 (2) subject to Subsection (d-1) of this section, [for
 85-12 a group A member, the member's contributions to the pension fund
 85-13 required under Section 8 of this Act during the member's
 85-14 participation in the DROP; and

85-15 [~~3~~] interest on the DROP participant's DROP account
 85-16 balance computed at a rate determined by the pension board and
 85-17 compounded at intervals designated by the pension board, but at
 85-18 least once in each 13-month period.

85-19 (d-1) Beginning January 1, 2018, the pension board shall
 85-20 establish the interest rate applicable under Subsection (d)(2) of
 85-21 this section as of January 1 of each year at a rate:

85-22 (1) except as provided by Subdivision (2) of this
 85-23 subsection, equal to half the pension system's five-year investment
 85-24 return based on a rolling five-fiscal-year basis and net of
 85-25 investment expenses; and

85-26 (2) that may not be less than 2.5 percent or more than
 85-27 7.5 percent.

85-28 (f) The period for credits to a DROP participant's DROP
 85-29 account includes each month beginning with the DROP participant's
 85-30 DROP entry date through the date the DROP participant terminates
 85-31 employment with the city or the pension system. Credits may not be
 85-32 made to a DROP participant's DROP account for a period that occurs
 85-33 after the date the DROP participant terminates employment, except
 85-34 that interest at a rate determined by the pension board may be paid
 85-35 on the person's undistributed DROP account balance after the date
 85-36 the person terminates employment. A DROP participant must pay
 85-37 required contributions to the pension system for all time in DROP
 85-38 that would otherwise constitute service in order to receive
 85-39 allowable credits to the DROP participant's DROP account.

85-40 (g) A DROP participant who terminates employment is
 85-41 eligible to elect to receive the DROP participant's DROP benefit in
 85-42 a lump sum, in substantially equal periodic payments, [~~or~~] in a
 85-43 partial lump sum followed by substantially equal periodic payments,
 85-44 or in partial payments from the participant's DROP account, in a
 85-45 manner and form determined by the pension board. The pension board
 85-46 may establish procedures concerning partial payments under this
 85-47 subsection, including limitations on the timing and frequency of
 85-48 those payments. A participant who elects partial payments may
 85-49 elect to receive the participant's entire remaining DROP account
 85-50 balance in a single lump-sum payment. The pension board shall
 85-51 determine a reasonable time for lump-sum and periodic payments of
 85-52 the DROP benefit. [An election concerning single lump-sum or
 85-53 partial payments as provided by this subsection must satisfy the
 85-54 requirements of Section 401(a)(9), Internal Revenue Code of 1986,
 85-55 as amended.] All distributions and changes in the form of
 85-56 distribution must be made in a manner and at a time that complies
 85-57 with that provision of the Internal Revenue Code of 1986, as
 85-58 amended.

85-59 (h) If a DROP participant dies before the full distribution
 85-60 of the DROP participant's DROP account balance, the undistributed
 85-61 DROP account balance shall be distributed to the DROP participant's
 85-62 surviving spouse, if any, in a lump-sum payment within a reasonable
 85-63 time after the pension board has determined that the surviving
 85-64 spouse is eligible for the distribution. If there is no surviving
 85-65 spouse, each beneficiary of the DROP participant [participant's
 85-66 beneficiary], as designated in the manner and on a form established
 85-67 by the pension board, is eligible to receive the beneficiary's
 85-68 applicable portion of the deceased DROP participant's
 85-69 undistributed DROP account balance in a lump-sum payment within a

86-1 reasonable time after the pension board has determined that the
 86-2 beneficiary is eligible for the distribution. If no beneficiary is
 86-3 designated, the undistributed DROP account balance shall be
 86-4 distributed to the deceased participant's [member's] estate.

86-5 (j) An election to participate in the DROP is irrevocable,
 86-6 except that:

86-7 (1) if a DROP participant is approved for a service
 86-8 disability pension, the DROP participant's DROP election is
 86-9 automatically revoked; and

86-10 (2) if a DROP participant dies, the surviving spouse,
 86-11 if any, or the beneficiary, if any, may elect to revoke the DROP
 86-12 participant's DROP election, at a time and in a manner determined by
 86-13 the pension board, only if the revocation occurs before a
 86-14 distribution from the DROP participant's DROP account or the
 86-15 payment of a survivor benefit under this Act or Chapter 358, Acts of
 86-16 the 48th Legislature, Regular Session, 1943 (Article 6243g,
 86-17 Vernon's Texas Civil Statutes) [~~and~~

86-18 [~~(3) a DROP participant approved by the pension board~~
 86-19 ~~of the predecessor system before September 1, 1999, to participate~~
 86-20 ~~in the DROP may make a one-time, irrevocable election before~~
 86-21 ~~termination of employment, on a date and in a manner determined by~~
 86-22 ~~the pension board, to revoke the DROP election and waive any and all~~
 86-23 ~~rights associated with the DROP election].~~

86-24 (k) On revocation of a DROP election under Subsection (j) of
 86-25 this section, the DROP account balance becomes zero, and a
 86-26 distribution of DROP benefits may not be made to the participant
 86-27 [member], the participant's [member's] surviving spouse, or the
 86-28 participant's [member's] beneficiaries. In the event of
 86-29 revocation, the benefits based on the participant's [member's]
 86-30 service are determined as if the participant's [member's] DROP
 86-31 election had never occurred.

86-32 (m) If an unanticipated actuarial cost occurs in
 86-33 administering the DROP, the pension board, on the advice of the
 86-34 pension system [system's] actuary, may take action necessary to
 86-35 mitigate the unanticipated cost, including refusal to accept
 86-36 additional elections to participate in the DROP [plan]. The
 86-37 pension system shall continue to administer the DROP [plan] for the
 86-38 DROP participants participating in the DROP [plan] before the date
 86-39 of the mitigating action.

86-40 (o) Except as provided by Subsection (o-1) of this section,
 86-41 on [On] termination of employment, a DROP participant shall receive
 86-42 a normal retirement pension under Section 10 of this Act or under
 86-43 Section 11, 22A, or 24 of Chapter 358, Acts of the 48th Legislature,
 86-44 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
 86-45 Statutes), as those sections read on the day preceding the
 86-46 participant's DROP entry date, as applicable, except that the
 86-47 credited service under that section is the member's credited
 86-48 service as of the day before the member's DROP entry date, the
 86-49 benefit accrual rate applicable to the credited service shall be
 86-50 the benefit accrual rate in effect on the member's DROP election
 86-51 date, the maximum allowable benefit shall be the maximum allowable
 86-52 benefit in effect on the member's DROP election date, and the
 86-53 member's average monthly salary is the average monthly salary
 86-54 determined as of the later [date] of the member's DROP entry date or
 86-55 January 1, 2005, as applicable [termination of employment]. The
 86-56 DROP participant's normal retirement pension is increased by any
 86-57 cost-of-living adjustments applied to the monthly credit to the
 86-58 member's DROP account under Subsection (d)(1) of this section
 86-59 during the member's participation in the DROP. Cost-of-living
 86-60 adjustments applicable to periods after the date of the DROP
 86-61 participant's termination of employment are based on the DROP
 86-62 participant's normal retirement pension computed under this
 86-63 subsection or Subsection (o-1) of this section, as applicable,
 86-64 excluding any cost-of-living adjustments.

86-65 (o-1) On termination of employment, and before any benefit
 86-66 or DROP payment, a DROP participant who is an option-eligible
 86-67 participant shall make the required election under Section 11 of
 86-68 this Act. If the option-eligible participant elects a J&S Annuity,
 86-69 the DROP account, including all DROP credits, shall be recalculated

87-1 from the DROP entry date to termination of employment as provided by
 87-2 Subsection (o) of this section as if the J&S Annuity was selected to
 87-3 be effective as of the DROP entry date.

87-4 (p) If a DROP election is not revoked under Subsection (j)
 87-5 of this section, the survivor benefit payable to an eligible
 87-6 survivor of a deceased DROP participant under Section 14 of this Act
 87-7 is computed as a percentage of the monthly ordinary disability
 87-8 pension that the member would have been eligible to receive had the
 87-9 member suffered a disability the day before the member's DROP entry
 87-10 date, except that the ordinary disability pension is computed based
 87-11 on the DROP participant's credited service as of the day before the
 87-12 DROP participant's DROP entry date, the benefit accrual rate
 87-13 applicable to the credited service as of the DROP participant's
 87-14 DROP election date, and the DROP participant's average monthly
 87-15 salary as of the later [date] of the DROP participant's DROP entry
 87-16 date or January 1, 2005, as applicable [death]. A surviving spouse,
 87-17 if any, of a DROP participant who dies from a cause directly
 87-18 resulting from a specific incident in the performance of the DROP
 87-19 participant's duties for the city or the pension system is
 87-20 ineligible to receive enhanced survivor benefits under Section
 87-21 14(c) of this Act unless the DROP election is revoked under
 87-22 Subsection (j)(2) of this section and the surviving spouse receives
 87-23 a survivor benefit as otherwise provided by this subsection.

87-24 (r) Except as provided by Subsection (s) of this section,
 87-25 the pension system may not credit a DROP account with a
 87-26 cost-of-living adjustment percentage on or after February 1, 2018.

87-27 (s) On or after February 1, 2018, and for future credit
 87-28 only, the pension system shall credit a cost-of-living adjustment
 87-29 percentage, not compounded, to the DROP account of a DROP
 87-30 participant who was at least 62 years of age as of January 1 of the
 87-31 year in which the increase is made.

87-32 (t) The pension board may establish deadlines for the
 87-33 submission of any information, document, or other record pertaining
 87-34 to DROP.

87-35 SECTION 3.18. Sections 13(a), (b), and (c), Chapter 88
 87-36 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
 87-37 (Article 6243h, Vernon's Texas Civil Statutes), are amended to read
 87-38 as follows:

87-39 (a) A member who has completed five or more years of
 87-40 credited service and who becomes disabled is eligible, regardless
 87-41 of age, for an ordinary disability retirement and shall receive a
 87-42 monthly disability pension computed in accordance with Section
 87-43 10(d) of this Act [~~for group A members and Section 10(e) for group B~~
 87-44 ~~members~~].

87-45 (b) A member who is disabled by reason of a personal injury
 87-46 sustained or a hazard undergone as a result of, and while in the
 87-47 performance of, the member's employment duties at some definite
 87-48 place and at some definite time on or after the date of becoming a
 87-49 member, without serious and wilful misconduct on the member's part,
 87-50 is eligible for a service disability retirement and shall receive a
 87-51 monthly disability pension equal to the greater of:

87-52 (1) the monthly normal retirement pension computed
 87-53 under Section 10(d) of this Act [~~for a group A member or Section~~
 87-54 ~~10(e) for a group B member~~]; or

87-55 (2) 20 percent of the member's monthly salary on the
 87-56 date the injury occurred or the hazard was undergone.

87-57 (c) In addition to the monthly disability pension under
 87-58 Subsection (b)(2) of this section, a group A member shall receive
 87-59 one percent of the salary under Subsection (b)(2) of this section
 87-60 for each year of credited service. The total disability pension
 87-61 computed under Subsection (b)(2) of this section may not exceed the
 87-62 greater of:

87-63 (1) 40 percent of that monthly salary; or

87-64 (2) the monthly normal retirement pension computed in
 87-65 accordance with Section 10(d) of this Act [~~for a group A member or~~
 87-66 ~~Section 10(e) for a group B member~~].

87-67 SECTION 3.19. Chapter 88 (H.B. 1573), Acts of the 77th
 87-68 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
 87-69 Civil Statutes), is amended by adding Section 13A to read as

88-1 follows:

88-2 Sec. 13A. CERTAIN DISABILITY AND SURVIVOR BENEFITS.
 88-3 Notwithstanding any other provision of this Act, a disability
 88-4 benefit or survivor benefit that first becomes payable on or after
 88-5 January 1, 2005, for a former member who separated from service on
 88-6 or after January 1, 2005, shall be determined in accordance with the
 88-7 monthly normal retirement pension calculation applicable under
 88-8 Section 10 of this Act.

88-9 SECTION 3.20. Section 14, Chapter 88 (H.B. 1573), Acts of
 88-10 the 77th Legislature, Regular Session, 2001 (Article 6243h,
 88-11 Vernon's Texas Civil Statutes), is amended by amending Subsections
 88-12 (a), (b), (c), (d), (e), and (h) and adding Subsection (b-1) to read
 88-13 as follows:

88-14 (a) Except as provided by Section 11 or [Section] 12 of this
 88-15 Act, the pension board shall order survivor benefits to be paid to
 88-16 an eligible survivor in the form of a monthly allowance under this
 88-17 section if:

88-18 (1) a member or former member of group A or group B
 88-19 dies from any cause after the completion of five years of credited
 88-20 service with the city or the pension system;

88-21 (2) while in the service of the city or the pension
 88-22 system, a member dies from any cause directly resulting from a
 88-23 specific incident in the performance of the member's duty; ~~[or]~~

88-24 (3) a member of group A or group B dies after the date
 88-25 the member retires on a pension because of length of service or a
 88-26 disability and the member leaves an eligible survivor; or

88-27 (4) a member of group D dies from any cause after the
 88-28 completion of five years of credited service with the city or the
 88-29 pension system if the member on the date of the member's death was
 88-30 still in service with the city or the pension system.

88-31 (b) A surviving spouse of a member described by Subsection
 88-32 (a)(1) or (4) of this section [or former member] who dies while
 88-33 still in [dies after having completed five years of credited]
 88-34 service with the city or the pension system[, but before beginning
 88-35 to receive retirement benefits,] is eligible for a sum equal to the
 88-36 following applicable percentage [100 percent] of the retirement
 88-37 benefits to which the deceased member or former member would have
 88-38 been eligible had the member been totally disabled with an ordinary
 88-39 disability at the time of the member's last day of credited service:

88-40 (1) 80 percent, if the member's death occurs on or
 88-41 after the year 2017 effective date and the spouse was married to the
 88-42 member for at least one continuous year as of the member's date of
 88-43 death, except that the allowance payable to the surviving spouse
 88-44 may not be less than \$100 a month; or

88-45 (2) 50 percent, if the member's death occurs on or
 88-46 after the year 2017 effective date and the spouse was married to the
 88-47 member for less than one continuous year as of the date of the
 88-48 member's death.

88-49 (b-1) A surviving spouse of a former member described by
 88-50 Subsection (a)(1) of this section who dies on or after the year 2017
 88-51 effective date while not in the service of the city or the pension
 88-52 system and before the member's retirement commenced, is eligible
 88-53 for a sum equal to 50 percent of the deceased former member's normal
 88-54 accrued pension at the time of the deceased former member's last day
 88-55 of credited service. Benefits under this subsection first become
 88-56 payable on the date the former member would have become eligible to
 88-57 begin receiving a pension. If the surviving spouse elects for
 88-58 earlier payment, in a time and manner determined by the pension
 88-59 board, the actuarial equivalent of that amount shall be payable at
 88-60 that earlier date.

88-61 (c) A surviving spouse of a member described by Subsection
 88-62 (a)(2) of this section who dies from a cause directly resulting from
 88-63 a specific incident in the performance of the member's duty with the
 88-64 city or the pension system, without serious or wilful misconduct on
 88-65 the member's part, is eligible for a sum equal to 80 [100] percent
 88-66 of the deceased member's final average salary.

88-67 (d) A surviving spouse of a retiree described by Subsection
 88-68 (a)(3) of this section who dies after having received retirement
 88-69 benefits is eligible for a sum equal to the following applicable

89-1 percentage [100 percent] of the retirement benefits being received
 89-2 at the time of the retiree's death, including any applicable[. The]
 89-3 cost-of-living adjustment in the survivor benefit under Section
 89-4 10(h) of this Act [is] computed based on the unadjusted normal
 89-5 retirement pension of the deceased retiree:

89-6 (1) 80 percent, if the retiree's death occurs on or
 89-7 after the year 2017 effective date and the retiree separated from
 89-8 service with the city or pension system before the year 2017
 89-9 effective date;

89-10 (2) 80 percent, if the retiree's death occurs on or
 89-11 after the year 2017 effective date and the retiree separated from
 89-12 service with the city or pension system before the year 2017
 89-13 effective date, provided the surviving spouse was married to the
 89-14 retiree at the time of the retiree's death and for at least one
 89-15 continuous year as of the date of the retiree's separation from
 89-16 service; or

89-17 (3) 50 percent, if both the retiree's separation from
 89-18 service and death occur on or after the year 2017 effective date and
 89-19 the surviving spouse was married to the retiree at the time of the
 89-20 retiree's death for less than one continuous year as of the date of
 89-21 the retiree's separation from service.

89-22 (e) If there is a surviving spouse, each dependent child
 89-23 shall receive a survivor benefit equal to 10 percent of the pension
 89-24 the member would have received if the member had been disabled at
 89-25 the time of death up to a maximum of 20 percent for all dependent
 89-26 children, except that if the total amount payable to the surviving
 89-27 spouse and dependent children is greater than 80 [100] percent of
 89-28 the benefit the member would have received, the percentage of
 89-29 benefits payable to the surviving spouse shall be reduced so that
 89-30 the total amount is not greater than 80 [100] percent of the benefit
 89-31 the member would have received, and the reduction shall continue
 89-32 until the total amount payable to the surviving spouse and
 89-33 dependent child, if any, would not be greater than 80 [100] percent
 89-34 of the benefit the member would have received.

89-35 (h) If a retiree dies and there is no eligible survivor, the
 89-36 retiree's spouse, if any, or if there is no spouse, the retiree's
 89-37 estate, is eligible to receive a lump-sum payment of the
 89-38 unamortized balance of the retiree's accrued employee
 89-39 contributions, if any, other than contributions after the DROP
 89-40 entry date, as determined by an amortization schedule and method
 89-41 approved by the pension board. A pension payable to a retiree
 89-42 ceases on the last day of the month [~~preceding the month~~]
 89-43 of the retiree's death. A survivor benefit payable to an eligible
 89-44 survivor is effective on the first day of the month following the
 89-45 month of the retiree's death and ceases on the last day of [month
 89-46 preceding] the month of the eligible survivor's death or on the last
 89-47 day of the month in which the survivor otherwise ceases to be
 89-48 eligible to receive a survivor's benefit.

89-49 SECTION 3.21. Sections 16(a) and (e), Chapter 88 (H.B.
 89-50 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
 89-51 6243h, Vernon's Texas Civil Statutes), are amended to read as
 89-52 follows:

89-53 (a) Notwithstanding any other provision of this Act, the
 89-54 pension board may pay to a member, deferred participant, eligible
 89-55 survivor, alternate payee, or beneficiary in a lump-sum payment the
 89-56 present value of any benefit payable to such a person that is less
 89-57 than \$20,000 [~~\$10,000~~] instead of paying any other benefit payable
 89-58 under this Act. If the lump-sum present value of the benefit is at
 89-59 least \$1,000 [~~\$5,000~~] but less than \$20,000 [~~\$10,000~~], the pension
 89-60 board may make a lump-sum payment only on written request by the
 89-61 member, deferred participant, eligible survivor, alternate payee,
 89-62 or other beneficiary. The pension board shall make any payment
 89-63 under this subsection as soon as practicable after eligibility
 89-64 under this section has been determined by the pension board.

89-65 (e) A member who is reemployed by the city or the pension
 89-66 system and who has at least two years of continuous credited service
 89-67 after reemployment may reinstate service for which the member
 89-68 received a lump-sum payment under this section by paying into the
 89-69 pension fund the amount of the lump-sum payment, plus interest on

90-1 that amount at the applicable assumed rate of return [~~six percent~~
 90-2 ~~per year~~], not compounded, from the date the lump-sum payment was
 90-3 made to the member until the date of repayment to the pension fund.

90-4 SECTION 3.22. Section 17, Chapter 88 (H.B. 1573), Acts of
 90-5 the 77th Legislature, Regular Session, 2001 (Article 6243h,
 90-6 Vernon's Texas Civil Statutes), is amended by amending Subsections
 90-7 (a), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l) and adding
 90-8 Subsections (c-1), (c-2), (q), (r), and (s) to read as follows:

90-9 (a) A member who terminates employment with the city
 90-10 involuntarily due to a reduction in workforce, as determined by the
 90-11 pension board, before the member becomes eligible for a normal
 90-12 retirement pension or attains five years of credited service, is
 90-13 eligible to [~~by written notice to the pension board, may make an~~
 90-14 ~~irrevocable election to~~] leave the person's contributions in the
 90-15 pension fund until the first anniversary of the date of
 90-16 termination. If during that period the person is reemployed by the
 90-17 city and has not withdrawn the person's contributions, all rights
 90-18 and service credit as a member shall be immediately restored
 90-19 without penalty. If reemployment with the city does not occur
 90-20 before the first anniversary of the date of termination, all
 90-21 payments made by the person into the pension fund by salary
 90-22 deductions or other authorized contributions shall be refunded to
 90-23 the person without interest. If the person is subsequently
 90-24 reemployed, the person may have credit restored, subject to the
 90-25 provisions applicable at the time of reemployment.

90-26 (c) A former member of group A or group B whose employment is
 90-27 terminated for a reason other than death or receipt of a retirement
 90-28 or disability pension after the completion of five years of
 90-29 credited service may elect, in a manner determined by the pension
 90-30 board, to receive a deferred retirement pension that begins on the
 90-31 member's effective retirement date after the member attains the
 90-32 eligibility requirements for normal retirement under Section 10 of
 90-33 this Act as it existed on the member's last day of credited service
 90-34 [~~either 62 years of age or a combination of years of age and years of~~
 90-35 ~~credited service, including parts of years, the sum of which equals~~
 90-36 ~~the number 70~~]. The amount of monthly benefit shall be computed in
 90-37 the same manner as for a normal retirement pension, but based on
 90-38 average monthly salary and credited service as of the member's last
 90-39 day of credited service and subject to the provisions of this Act or
 90-40 Chapter 358, Acts of 48th Legislature, Regular Session, 1943
 90-41 (Article 6243g, Vernon's Texas Civil Statutes), in effect on the
 90-42 former member's last day of credited service.

90-43 (c-1) A former member of group D whose employment is
 90-44 terminated for a reason other than death or receipt of a retirement
 90-45 or disability pension after the completion of five years of
 90-46 credited service may elect, in a manner determined by the pension
 90-47 board, to receive a deferred normal retirement pension that begins
 90-48 on the former member's effective retirement date after the member
 90-49 attains 62 years of age. The amount of a monthly benefit under this
 90-50 subsection shall be computed in the same manner as a normal
 90-51 retirement pension, except the benefit shall be based on the
 90-52 average monthly salary and credited service of the former member as
 90-53 of the former member's last day of credited service and subject to
 90-54 the provisions of this Act in effect on the former member's last day
 90-55 of credited service.

90-56 (c-2) A former member of group D whose employment is
 90-57 terminated for a reason other than death or receipt of a retirement
 90-58 or disability pension and who has met the minimum years of credited
 90-59 service to receive an early reduced retirement pension under
 90-60 Section 10(e) of this Act on attaining the required age, may elect,
 90-61 in a manner determined by the pension board, to receive a deferred
 90-62 early retirement pension that begins on the former member's
 90-63 effective retirement date after the member attains the required age
 90-64 under Section 10(e) of this Act. The amount of monthly benefit
 90-65 shall be computed in the same manner as for an early retirement
 90-66 pension under Section 10(e) of this Act, except that the benefit
 90-67 shall be based on the average monthly salary and credited service of
 90-68 the former member as of the former member's last day of credited
 90-69 service and subject to the provisions of this Act in effect on the

91-1 former member's last day of credited service.

91-2 (d) If a member dies while still employed by the city,
91-3 whether eligible for a pension or not, and Sections 12 and 14 of
91-4 this Act do not apply, all of the member's rights in the pension
91-5 fund shall be satisfied by the refund to the member's spouse
91-6 [~~designated beneficiary~~], if any, or if there is no spouse
91-7 [~~designated beneficiary~~], to the member's estate, of all eligible
91-8 payments, if any, made by the member into the pension fund, without
91-9 interest.

91-10 (e) [~~The provisions of Section 14 of this Act concerning~~
91-11 ~~payments to eligible survivors apply in the case of any former~~
91-12 ~~member who has made the election permitted by Subsection (c) of this~~
91-13 ~~section and who dies before reaching the age at which the former~~
91-14 ~~member would be eligible to receive a pension.] If there is no
91-15 eligible survivor of the former member, all of the former member's
91-16 rights in the pension fund shall be satisfied by the refund to the
91-17 former member's spouse [~~designated beneficiary~~], if any, or if
91-18 there is no spouse [~~designated beneficiary~~], to the former member's
91-19 estate, of all eligible payments made by the former member into the
91-20 pension fund by way of employee contributions, without interest.~~

91-21 (f) This Act does not change the status of any former member
91-22 of the predecessor system whose services with the city or the
91-23 pension system were terminated under Chapter 358, Acts of the 48th
91-24 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas
91-25 Civil Statutes), except as otherwise expressly provided. Refunds
91-26 of contributions made under this section shall be paid to the
91-27 departing member, the member's spouse [~~beneficiary~~], or the
91-28 member's estate on written request and approval by the pension
91-29 board in a lump sum, except that if the pension board determines
91-30 that funds are insufficient to justify the lump-sum payment, the
91-31 payment shall be refunded on a monthly basis in amounts determined
91-32 by the pension board.

91-33 (g) If a deferred participant is reemployed by the city or
91-34 the pension system before receiving a deferred retirement pension
91-35 or if a retiree is reemployed by the city or the pension system,
91-36 Subsections (h) and (j) of this section apply to the computation of
91-37 the member's pension following the member's subsequent separation
91-38 from service if the member was a member on or after May 11, 2001, and
91-39 is not otherwise subject to Subsection (g) of this section.

91-40 (h) If a member described in Subsection (g) of this section
91-41 accrues not more than two years of continuous credited service
91-42 after reemployment:

91-43 (1) the portion of the member's deferred or normal
91-44 retirement pension attributable to the member's period of credited
91-45 service accrued before the date of the member's original or
91-46 previous separation from service is computed on the basis of the
91-47 applicable provisions of this Act or the predecessor system that
91-48 were in effect on the member's last day of credited service for the
91-49 original or previous period of credited service;

91-50 (2) the portion of the member's deferred or normal
91-51 retirement pension attributable to the member's period of credited
91-52 service accrued after the date of the member's reemployment by the
91-53 city or the pension system is computed on the basis of the
91-54 applicable provisions of this Act or the predecessor system in
91-55 effect on the member's last day of credited service for the
91-56 subsequent period of credited service; and

91-57 (3) the disability pension or survivor benefit
91-58 attributable to the member's period of credited service accrued
91-59 both before the date of the member's original or previous
91-60 separation from service and after the date of the member's
91-61 reemployment by the city or the pension system is computed on the
91-62 basis of the applicable provisions of this Act or the predecessor
91-63 system that were in effect on the member's last day of credited
91-64 service for the original or previous period of credited service.

91-65 (i) Subject to Subsection (l) of this section, the
91-66 disability pension or survivor benefit under Subsection (h)(3) of
91-67 this section is computed by adding the following amounts:

91-68 (1) the amount of the benefit derived from the member's
91-69 credited service accrued after the date of reemployment based on

92-1 the benefit accrual rate in effect on the member's last day of
 92-2 original or previous credited service in the group in which the
 92-3 member participated on the member's last day of subsequent credited
 92-4 service; and

92-5 (2) the amount of the benefit the member, beneficiary,
 92-6 or eligible survivor was eligible to receive based on the member's
 92-7 original or previous credited service and the provisions in effect
 92-8 on the member's last day of original or previous credited service.

92-9 (j) If a ~~the~~ member described by Subsection (g) of this
 92-10 section accrues more than two years of continuous credited service
 92-11 after reemployment, for purposes of future payment only, a deferred
 92-12 retirement pension, normal retirement pension, disability pension,
 92-13 or survivor benefit is computed on the basis of the applicable
 92-14 provisions of this Act or the predecessor system in effect on the
 92-15 member's last day of credited service for the subsequent service.

92-16 (k) Notwithstanding any other provision of this Act, if a
 92-17 retiree is reemployed by the city or the pension system and becomes
 92-18 a member, the retiree's pension under this Act ceases on the day
 92-19 before the date the retiree is reemployed. Payment of the pension
 92-20 shall be suspended during the period of reemployment and may not
 92-21 begin until the month following the month in which the reemployed
 92-22 retiree subsequently terminates employment. On subsequent
 92-23 separation, benefits payable are computed under Subsections (h) and
 92-24 (j) of this section, as applicable. If the reemployed retiree
 92-25 receives any pension during the period of reemployment, the retiree
 92-26 shall return all of the pension received during that period to the
 92-27 pension system not later than the 30th day after the date of
 92-28 receipt. If the reemployed retiree does not timely return all of
 92-29 the pension, the pension board shall offset the amount not returned
 92-30 against the payment of any future retirement pension, disability
 92-31 pension, DROP balance, or survivor benefit payable on behalf of the
 92-32 reemployed retiree, plus interest on the disallowed pension at the
 92-33 applicable assumed rate of return, not compounded, from the date
 92-34 the reemployed retiree received the disallowed pension to the date
 92-35 of the offset on the disallowed pension.

92-36 (l) Except as provided by Section 14 of this Act, if [~~If~~] a
 92-37 member is covered by Subsection (h) of this section and has made an
 92-38 election or was eligible to make an election under Section 11 of
 92-39 this Act or an optional annuity election under Section 29, Chapter
 92-40 358, Acts of the 48th Legislature, Regular Session, 1943 (Article
 92-41 6243g, Vernon's Texas Civil Statutes), or has received a pension
 92-42 computed on the basis of an optional annuity election, the optional
 92-43 annuity election, including any designation of an eligible
 92-44 designated survivor, governs the payment of any pension or benefit
 92-45 for the period of service covered by the optional annuity election,
 92-46 and no other survivor benefit is payable for that period of service.
 92-47 If a member meets the requirements of Subsection (j) of this section
 92-48 and has made an optional annuity election or has received a pension
 92-49 computed on the basis of an optional annuity election, the optional
 92-50 annuity election, including any designation of an eligible
 92-51 designated survivor, shall control the payment of any pension or
 92-52 benefit, and no other survivor benefit is payable unless the member
 92-53 elects, not later than the 90th day after the date of the separation
 92-54 of employment and before payment of a pension, to revoke the
 92-55 optional annuity election for future payment of benefits. If
 92-56 revocation occurs, any survivor benefit is paid under Subsection
 92-57 (j) of this section.

92-58 (q) Subsections (g) through (j) and Subsection (l) of this
 92-59 section do not apply:

92-60 (1) for an employee or elected official hired,
 92-61 rehired, or elected before January 1, 2005, to the period of service
 92-62 occurring after January 1, 2005;

92-63 (2) to an employee or elected official hired, rehired,
 92-64 or elected on or after January 1, 2005; or

92-65 (3) to a deferred retiree or retiree who is reemployed
 92-66 in a pension system covered position before January 1, 2005, for a
 92-67 period of two years or less of continuous credited service.

92-68 (r) If a deferred retiree or a retiree described by
 92-69 Subsection (q)(3) of this section is reemployed in a pension system

93-1 covered position, the retiree's pension due on the retiree's
 93-2 subsequent retirement shall be computed as follows:

93-3 (1) the portion of the retiree's pension attributable
 93-4 to the retiree's periods of credited service that accrued before
 93-5 the retiree's reemployment shall be calculated on the basis of the
 93-6 schedule of benefits for retiring members that was in effect at the
 93-7 time of the member's previous termination or terminations of
 93-8 employment; and

93-9 (2) the portion of the member's pension attributable
 93-10 to the member's period of credited service that accrued after the
 93-11 member's reemployment shall be calculated on the basis of the
 93-12 schedule of benefits for retiring members that is in effect at the
 93-13 time of the member's subsequent retirement.

93-14 (s) The computation under Subsection (r) of this section may
 93-15 not result in a lower pension benefit amount for the previous
 93-16 service of the retiree than the pension benefit amount the retiree
 93-17 was eligible to receive for the retiree's previous service before
 93-18 the date of reemployment.

93-19 SECTION 3.23. Section 18(d), Chapter 88 (H.B. 1573), Acts
 93-20 of the 77th Legislature, Regular Session, 2001 (Article 6243h,
 93-21 Vernon's Texas Civil Statutes), is amended to read as follows:

93-22 (d) The military service credited under Subsection (c) of
 93-23 this section:

93-24 (1) may not exceed a total of 60 months; and

93-25 (2) may be claimed as service solely in the group in
 93-26 which the member participates [~~A only if the member is a group A~~
 93-27 ~~member or group C member~~] at the time the member claims the
 93-28 service[~~, and~~

93-29 [~~(3) may be claimed as service in group B only if the~~
 93-30 ~~member is a group B member at the time the member claims the~~
 93-31 ~~service].~~

93-32 SECTION 3.24. Notwithstanding Section 1(1-e), Chapter 88
 93-33 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
 93-34 (Article 6243h, Vernon's Texas Civil Statutes), as added by this
 93-35 Act, the assumed rate of return for the fiscal year ending June 30,
 93-36 2018, is seven percent per year for purposes of Chapter 88 (H.B.
 93-37 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
 93-38 6243h, Vernon's Texas Civil Statutes).

93-39 SECTION 3.25. Section 8(d), Chapter 88 (H.B. 1573), Acts of
 93-40 the 77th Legislature, Regular Session, 2001 (Article 6243h,
 93-41 Vernon's Texas Civil Statutes), is repealed.

93-42 SECTION 3.26. (a) The change in law made by this Act to
 93-43 Section 2, Chapter 88 (H.B. 1573), Acts of the 77th Legislature,
 93-44 Regular Session, 2001 (Article 6243h, Vernon's Texas Civil
 93-45 Statutes), applies only to the appointment or election of a trustee
 93-46 of the board of trustees of the pension system established under
 93-47 that law that occurs on or after the effective date of this Act.

93-48 (b) A person who is serving as a trustee immediately before
 93-49 the effective date of this Act may continue to serve for the
 93-50 remainder of the trustee's term, and that trustee's qualifications
 93-51 for serving as a trustee for that term are governed by the law in
 93-52 effect immediately before the effective date of this Act.

93-53 (c) As soon as practicable after the effective date of this
 93-54 Act:

93-55 (1) the governing body of the city under Chapter 88
 93-56 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
 93-57 (Article 6243h, Vernon's Texas Civil Statutes), shall appoint two
 93-58 additional members to the board of trustees in accordance with
 93-59 Section 2(c)(6), Chapter 88 (H.B. 1573), Acts of the 77th
 93-60 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
 93-61 Civil Statutes), as added by this Act; and

93-62 (2) the board of trustees of the pension system
 93-63 established under Chapter 88 (H.B. 1573), Acts of the 77th
 93-64 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
 93-65 Civil Statutes), shall adopt rules necessary to ensure the
 93-66 appropriate staggering of trustee terms.

93-67 SECTION 3.27. The pension system established under Chapter
 93-68 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
 93-69 (Article 6243h, Vernon's Texas Civil Statutes), shall require the

94-1 pension system actuary to prepare the first actuarial experience
94-2 study required under Section 8D, Chapter 88 (H.B. 1573), Acts of the
94-3 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
94-4 Texas Civil Statutes), as added by this Act, not later than
94-5 September 30, 2021.

94-6 ARTICLE 4. PROVISIONS APPLICABLE TO EACH PUBLIC RETIREMENT SYSTEM
94-7 SUBJECT TO ACT

94-8 SECTION 4.01. Chapter 107, Local Government Code, is
94-9 amended by adding Section 107.0036 to read as follows:

94-10 Sec. 107.0036. VOTER APPROVAL REQUIRED FOR CERTAIN PENSION
94-11 FUND OBLIGATIONS. (a) This section applies only to a public
94-12 pension fund subject to:

94-13 (1) Article 6243e.2(1), Revised Statutes;

94-14 (2) Chapter 88 (H.B. 1573), Acts of the 77th
94-15 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
94-16 Civil Statutes); and

94-17 (3) Article 6243g-4, Revised Statutes.

94-18 (b) A municipality may issue an obligation under Section
94-19 107.003 to fund all or any part of the unfunded liability of a
94-20 public pension fund subject to this section only if the issuance is
94-21 approved by a majority of the qualified voters of the municipality
94-22 voting at an election held for that purpose.

94-23 SECTION 4.02. Section 107.0036, Local Government Code, as
94-24 added by this Act, applies only to obligations for which the
94-25 governing body of a municipality executes an agreement under
94-26 Section 107.003(b), Local Government Code, on or after the
94-27 effective date of this Act.

94-28 ARTICLE 5. CONFLICTING LEGISLATION; EFFECTIVE DATE

94-29 SECTION 5.01. If this Act conflicts with any other Act of
94-30 the 85th Legislature, Regular Session, 2017, this Act controls
94-31 unless the conflict is expressly resolved by the legislature by
94-32 reference to this Act.

94-33 SECTION 5.02. This Act takes effect July 1, 2017, if it
94-34 receives a vote of two-thirds of all the members elected to each
94-35 house, as provided by Section 39, Article III, Texas Constitution.
94-36 If this Act does not receive the vote necessary for immediate
94-37 effect, this Act takes effect September 1, 2017.

94-38 * * * * *